



Bill Analysis

Author: Wallis

Sponsor:

Bill Number: AB 1219

Related Bills: See Legislative
History

Introduced: February 21, 2025,
Amended: April 3, 2025

SUBJECT

Personal Income Tax Reduction

SUMMARY

This bill would revise the income tax brackets and income tax rates applicable under the Personal Income Tax Law (PITL) for taxable years beginning on or after January 1, 2025, and before January 1, 2030, and would make other nonsubstantive changes.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The April 3, 2025, amendments replaced the previously proposed income tax brackets with proposed income tax brackets using the currently indexed income tax bracket amounts and made other nonsubstantive changes.

This is the Franchise Tax Board's (FTB) first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to provide tax relief for low- and middle-income taxpayers.

ANALYSIS

This bill, under the PITL, would revise the personal income tax brackets and the applicable personal income tax rates to reduce state income tax for California taxpayers.

For taxable years beginning on or after January 1, 2025, and before January 1, 2030, this bill would provide the following:

<u>Filing Status</u>	<u>Income Tax Bracket</u>	<u>Tax Rate</u>
Single or Married/Registered Domestic Partner (RDP) Filing Separately:	Taxable income not over \$25,499	1% of taxable income
	Income between \$25,499 and \$40,245	\$254.99 + 3% of amount over \$25,499
	Income between \$40,245 and \$55,866	\$697.37 + 5% of amount over \$40,245
	Income between \$55,866 and \$70,606	\$1,478.42 + 7% of amount over \$55,866
	Taxable income over \$70,606	\$2,510.22+ 9.3% of amount over \$70,606
Married/RDP Filing Jointly or Qualifying Surviving Spouse/RDP:	Taxable income not over \$50,998	1% of taxable income
	Income between \$50,998 and \$80,490	\$509.98 + 3% of amount over \$50,998
	Income between \$80,490 and \$111,732	\$1,394.74 + 5% of amount over \$80,490
	Income between \$111,732 and \$141,212	\$2956.84 + 7% of amount over \$111,732
	Taxable income over \$141,212	\$5,020.44 + 9.3% of amount over \$141,212
Head of Household:	Taxable income not over \$51,000	1% of taxable income
	Income between \$51,000 and \$65,744	\$510 + 3% of amount over \$51,000

	Income between \$65,744 and \$81,364	\$952.32 + 5% of amount over \$65,744
	Income between \$81,364 and \$96,107	\$1733.32 + 7% of amount over \$81,364
	Taxable income over \$96,107	\$2,765.33 + 9.3% of amount over \$96,107

These amounts would be adjusted for inflation in the same manner as the current income tax brackets. The bill provides that the annual inflation adjustment would not apply to taxable years beginning on or after January 1, 2025, and before January 1, 2026. For taxable years beginning on or after January 1, 2030, and before January 1, 2031, the annual inflation adjustment would be based on the preceding taxable year's income tax brackets that would have been in place but for the revisions to the tax brackets that would be made under the provisions of this bill.

This bill provides that the Legislature intends to comply with the reporting requirements of Revenue and Taxation Code (RTC) section 41.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment. The changes to the income tax brackets and rates would be specifically operative for taxable years beginning on or after January 1, 2025, and before January 1, 2030.

Federal/State Law

Federal Law

For each taxable year, existing federal law imposes a personal income tax on most United States (US) citizens and permanent residents, who work in the US, if the taxable income exceeds certain specified amounts. The federal tax rates range from 15% to 39.6%.

State Law

Existing state income tax law imposes nine different personal income tax rates, ranging from 1% to 12.3%. Additionally, there is a 1% Mental Health Services Tax on the portion of a taxpayer's taxable income that exceeds \$1 million.

Current law, as adjusted for inflation, provides the following personal income tax brackets and tax rates:

<u>Filing Status</u>	<u>Income Tax Bracket</u>	<u>Tax Rate</u>
Single or Married/RDP Filing Separately:	Taxable income not over \$10,756	1% of taxable income
	Income between \$10,756 and \$25,499	\$107.56+ 2% of amount over \$10,756
	Income between \$25,499 and \$40,245	\$402.42 + 4% of amount over \$25,499
	Income between \$40,245 and \$55,866	\$992.26 + 6% of amount over \$40,245
	Income between \$55,866 and \$70,606	\$1929.52 + 8% of amount over \$55,866
	Income between \$70,606 and \$360,659	\$3,108.72+ 9.3% of amount over \$70,606
	Income between \$360,659 and \$432,787	\$30,083.65 + 10.3% of amount over \$360,659
	Income between \$432,787 and \$721,314	\$37,512.83 + 11.3% of amount over \$432,787
	Taxable income over \$721,314	\$70,116.38 + 12.3% of amount over \$721,314
Married/RDP Filing Jointly or Qualifying Surviving Spouse/RDP:	Taxable income not over \$21,512	1% of taxable income
	Income between \$21,512 and \$50,998	\$215.12 + 2.00% of amount over \$21,512
	Income between \$50,998 and \$80,490	\$804.84 + 4.00% of amount over \$50,998
	Income between \$80,490 and \$111,732	\$1,984.52 + 6.00% of amount over \$80,490

	Income between \$111,732 and \$141,212	\$3,859.04 + 8.00% of amount over \$111,732
	Income between \$141,212 and \$721,318	\$6,217.44 + 9.30% of amount over \$141,212
	Income between \$721,318 and \$865,574	\$60,167.30 + 10.30% of amount over \$721,318
	Income between \$865,574 and \$1,442,628	\$75,025.67 + 11.30% of amount over \$865,574
	Taxable income over \$1,442,628	\$140,232.77 + 12.30% of amount over \$1,442,628
Head of Household:	Taxable income not over \$21,527	1% of taxable income
	Income between \$21,527 and \$51,000	\$215.27 + 2.00% of amount over \$21,527
	Income between \$51,000 and \$65,744	\$804.73 + 4.00% of amount over \$51,000
	Income between \$65,744 and \$81,364	1,394.49 + 6.00% of amount over \$65,744
	Income between \$81,364 and \$96,107	\$2,331.69 + 8.00% of amount over \$81,364
	Income between \$96,107 and \$490,493	\$3,511.13 + 9.30% of amount over \$96,107
	Income between \$490,493 and \$ 588,593	\$40,189.03 + 10.30% of amount over \$490,493
	Income between \$588,593 and \$980,987	\$50,293.33 + 11.30% of amount over \$588,593
	Taxable income over \$980,987	\$94,633.85 + 12.30% of amount over \$980,987

Under RTC section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

None noted.

Technical Considerations

While amending RTC section 17041, consider deleting obsolete sections 17041(a)(2) and 17041(c)(2), relating to taxable years beginning on or after January 1, 2009, and before January 1, 2011, and renumbering the remaining code sections accordingly.

There are several cross-references throughout the RTC to Section 17041(h). These would require updating should the bill be enacted due to the renumbering made to this subdivision by this bill.

For consistency and clarity, the following changes are recommended:

In subdivision (h)(3), replace "proceeding" with "preceding".

In subdivision (i)(3), delete the second "was."

Policy Considerations

Under RTC section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, performance measures, and data collection requirements to allow the Legislature to evaluate the effectiveness of the tax benefit. The author may wish to amend the bill to include specific goals, purposes, objectives, performance measures, and data collection requirements.

LEGISLATIVE HISTORY

AB 1428 (Muratsuchi, 2025/2026) would, under the PITL and Corporation Tax Law (CTL), impose a 0.05% tax on certain taxpayers with income that exceeds \$10 million, with certain exceptions, for taxable years beginning on or after January 1, 2026. Under the Administration of Income and Franchise Tax Law, the bill would create the Affordable Childcare Reimbursement Fund in the State Treasury to fund grants that would be made available to licensed childcare facilities beginning in the 2027-2028 fiscal year. AB 1428 has been re-referred to the Assembly Revenue and Taxation Committee.

AB 17 (Allanis, 2023/2024), similar to this bill, would have revised the income tax brackets and income tax rates applicable under PITL for taxable years beginning on or after January 1, 2023, and before January 1, 2028, and would have made other nonsubstantive changes. AB 17 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1219 as Amended April 3, 2025
Assumed Enactment after June 30, 2025

(\$ in Billions)

Fiscal Year	Revenue
2025-2026	-\$11.1
2026-2027	-\$7.4
2027-2028	-\$7.7

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

Using the Franchise Tax Board's Personal Income Tax micro-simulation model, the personal income tax liability was recalculated using the tax brackets and rates specified in this bill. This results in an estimated revenue loss for the 2025 taxable year would be \$7 billion.

The tax year estimates are then converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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