



Bill Analysis

Author: Dahle & Sanchez

Sponsor:

Bill Number: SB 1096

Related Bills: See Legislative
History

Amended: June 3, 2026

SUBJECT

Senior Tax Credit for Qualifying Dependent

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2026, and before January 1, 2031, allow a senior to claim a tax credit in an amount not exceeding \$1,500 per qualified dependent.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

The June 3, 2026, amendments added a co-author, an adjusted gross income (AGI) phaseout for qualified taxpayers, and added definitions for “qualified dependent”, “qualified foster care payment”, and “qualifying child”. The amendments also added carryover provisions, modified the Section 41 requirements, and modified the repeal date. The June 3, 2026, amendments resolved the implementation and technical considerations as well as one of the policy considerations discussed in the Franchise Tax Board (FTB)’s analysis of the bill as introduced February 13, 2026. Finally, the amendments added one new technical consideration.

REASON FOR THE BILL

The reason for the bill is to provide aid to retired seniors with no earned income that care for qualifying dependents.

ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, allow seniors a tax credit in an amount up to \$1,500 per qualified dependent.

This bill defines the following:

- “**Earned Income**” would have the same meaning as is provided in Section 32(c)(2) of Internal Revenue Code (IRC), and generally includes wages, salaries, tips, and other employee compensation, as well as net earnings from self-employment.
- “**Qualified dependent**” means a dependent who is a qualifying child of the taxpayer and for whom the taxpayer has not received any qualified foster care payments during the taxable year.
- “**Qualified foster care payment**” has the same meaning as in Section 131 of the IRC, that includes payments made pursuant to a foster care program of a state or political subdivision.
- “**Qualifying child**” would have the same meaning as provided in Section 152(c), related to a qualifying child and includes a child of the taxpayer or a descendant of a child, or a brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any such relative.
- “**Qualified taxpayer**” means an individual who meets both of the following:
 - The taxpayer, or the taxpayer or their spouse in case of spouses filing joint returns and surviving spouses, is or would have been 65 years of age or older as of the last day of the taxable year.
 - The taxpayer’s adjusted gross income for the taxable year did not include earned income.

This bill would phase out the credit for taxpayers with incomes above \$150,000, reducing the credit by 6 percent by either of the following:

(i) In the case of spouses filing a joint return and surviving spouses, the amount by which the taxpayer’s federal adjusted gross income exceeds one hundred fifty thousand dollars (\$150,000).

(ii) For all other filers, the amount by which the taxpayer’s federal adjusted gross income exceeds seventy-five thousand dollars (\$75,000).

The bill would also require credit reduction due to the phase-out not exceed the maximum value of the credit.

The bill provides that taxpayers receiving payments from state or local foster programs are ineligible for the credit.

The unused credit could be carried over seven years until exhausted, whichever occurs first.

This bill also includes language to comply with Revenue and Taxation Code (RTC) section 41, which states the goal of the credit is to help retired senior taxpayers who are caring for dependents while the cost of living continues to rise. This bill would require the FTB to report to the Legislature by July 1, 2032, the average amount of the credit allowed to a qualified taxpayer and the number of taxpayers allowed the credit.

This credit would be repealed on December 1, 2031.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

Federal/State Law

Existing state and federal laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake. Currently, federal and state law have no credit comparable to the Senior Tax Credit.

The One Big Beautiful Act of 2025 (P.L. 119-21), section 70103 was enacted and for taxable years beginning after December 31, 2024, and before January 1, 2029, allows a senior deduction in amount equal to \$6,000 for each qualified individual. A qualified individual is a taxpayer that has attained age 65 before the close of the taxable year, **and in the case of a joint return, the taxpayer's spouse, if such spouse has attained age 65 before the close of the taxable year.** California does not conform to this federal deduction.

Under existing state law, legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators, and data collection requirements to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

None noted

Technical Considerations

The FTB has identified the following considerations and is available to work with the **author's office to resolve these and other** considerations that may be identified.

For clarity and consistency within the RTC, it is suggested that the following language be used related to the tax credit phaseout:

Replace Section 17054.8(a)(2)(A) with:

“(2)(A) The credit allowed by this section shall be reduced, but not below zero, by 6 percent of the applicable of the following:

(i) In the case of spouses filing a joint return and surviving spouses, the amount **by which the taxpayer's federal adjusted gross income exceeds one hundred fifty thousand dollars (\$150,000).**

(ii) **For all other filers, the amount by which the taxpayer's federal adjusted gross income exceeds seventy-five thousand dollars (\$75,000).”**

Delete Section 17054.8(a)(2)(B).

Policy Considerations

This bill does not limit the amount of credit that may be claimed by the taxpayer or their spouse. Credits that could potentially be costly are sometimes limited on a per-taxpayer basis or for a specified number of eligible dependents. If this is contrary to the **author's intent, the author may wish to amend the bill to** clarify a limit per taxpayer or per dependent or provide a credit limitation dollar amount.

This bill, as currently drafted, would allow a qualified taxpayer to claim a senior tax credit of **\$1,500 per dependent, provided the taxpayer's** federal AGI for the taxable year does not include earned income. Earned Income, as defined under IRC 32(c), includes wages, salaries, tips, other employee compensation, and net earnings from self-employment to the extent such amounts are included in gross income. Because the bill limits the credit based on the presence of earned income, it appears that taxpayers with other types of non-earned or passive income—such as business income, capital gains, interest, dividends, rents, or royalties—would still qualify for the credit. **If this is contrary to the author's intent the author may wish to amend the bill to** clarify the income types that should disqualify a taxpayer from receiving the credit.

LEGISLATIVE HISTORY

SB 1249 (Richardson, 2025/2026) would, under the PITL, allow an above-the-line deduction for qualified taxpayers who claim one or more elderly senior dependents for taxable years beginning on or after January 1, 2027, and before January 1, 2032. SB 1249 is currently in the Assembly Committee on Revenue and Taxation.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

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 SB 1096 as Amended on June 3, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue
2026-2027	-\$30
2027-2028	-\$25
2028-2029	-\$28

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.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Committee on Revenue and Taxation Report, dated June 5, 2026

Support

California Senior Legislature (Sponsor)

Opposition

California Teachers Association

ARGUMENTS

Senate Committee on Revenue and Taxation Report, dated June 5, 2026

Proponents

None noted.

Opponents

None noted.

LEGISLATIVE CONTACT

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