



Bill Analysis

Author: Valladares

Sponsor:

Bill Number: SB 1144

Related Bills: See Legislative
History

Introduced: February 18, 2026

SUBJECT

Personal Exemption Credit Increase to \$700 for Each Dependent

SUMMARY

This bill, under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would increase the dependent exemption credit.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to help families by providing discretionary money to help offset the high cost of living in California, including housing, food, childcare, healthcare, and transportation.

ANALYSIS

For taxable years beginning on or after January 1, 2026, and before January 1, 2031, this bill would increase the dependent exemption credit amount subject to the existing adjusted gross income (AGI) limitations from \$475, which reflects the base credit of \$227, adjusted for inflation, to \$700 per dependent.

For taxable years beginning on or after January 1, 2027, the increased dependent exemption amount would continue to be indexed for inflation, as specified in current law.

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

Federal Law

Federal law provides an additional deduction to the standard deduction for senior and blind taxpayers. For the 2025 taxable year, the additional deduction based on age or blindness is \$2,000 for an applicable individual taxpayer that is single or head of household, or \$1,600 for all other applicable individual taxpayers.

For taxable years after 2017, the exemption deduction amount is \$0. The provision allows a deduction in an amount equal to \$6,000 for each qualified individual. The deduction is reduced for taxpayers whose modified AGI exceeds \$75,000 (\$150,000 for married filing joint). However, for taxable years beginning after December 31, 2024, and before January 1, 2029, federal law provides an enhanced deduction for seniors. For purposes of claiming the enhanced deduction for seniors, federal law defines the term “qualified individual” as the taxpayer, if the taxpayer 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.

State Law

State law, rather than providing a “personal-exemption” deduction, provides a “personal-exemption” tax credit. A tax credit is a dollar-for-dollar reduction to tax. State law provides various exemption credits, including a personal exemption credit and exemption credits for dependents, blind persons, and individuals 65 or older. The exemption credit amounts for the 2025 taxable year are \$475 per dependent and \$153 per all other exemptions.

Exemption credits begin to phase out at federal AGI levels in excess of the amounts listed below:

Filing Status	AGI (2025)
Single/Married/Registered Domestic Partner Filing Separate	\$252,203
Head of Household	\$378,310
Married Filing Joint/Qualifying widow(er)	\$504,411

The exemption credit amounts are indexed annually for inflation. The exemption credits are not refundable and may not be carried over to future years.

In addition, California 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

In Section 17054(d)(1)(B)(ii), replace, "For each taxable year beginning on..." with "For taxable years beginning on..."

To provide clarity, it is recommended to renumber Section 17054(d)(1)(B)(ii) as (iii) and inserting before, "(ii) Subdivision (i) shall not apply to the credit allowed by this subparagraph for taxable years beginning on or after January 1, 2026, and before January 1, 2027."

Policy Considerations

Under Revenue and Taxation Code section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided 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. The author may wish to amend the bill to include these goals, purposes, objectives, and performance measures.

LEGISLATIVE HISTORY

AB 2247 (Burke, Chapter 99, Statutes of 2020), under the PITL, allows a taxpayer with a nonresident alien dependent who is ineligible to receive a federal ITIN the option of providing other identifying information, as prescribed by the Franchise Tax Board (FTB), for purposes of the dependent exemption credit.

SB 1176 (Nguyen, 2017/2018), under the PITL, would have increased the dependent exemption credit. SB 1176 did not pass out of the Senate Appropriations Committee by the required deadline.

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 identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1144 as Introduced February 18, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue
2026-2027	-\$1,400
2027-2028	-\$950
2028-2029	-\$950

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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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