

Date of Hearing: April 13, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 2591 (Bains) – As Introduced February 20, 2026

Majority vote. Tax levy. Fiscal committee.

SUBJECT: Personal income tax: standard deduction: federal poverty level

SUMMARY: Allows, under the Personal Income Tax (PIT) Law, taxpayers to elect to take a standard deduction equal to the federal poverty line for their family size, as specified.

Specifically, **this bill:**

- 1) Allows, for tax years beginning on or after July 1, 2027, a taxpayer to elect to take a standard deduction as follows:
 - a) For a taxpayer filing as single or married filing separately, the standard deduction would be equal to the federal poverty line for a household of one person;
 - b) For a taxpayer filing as head of household, the standard deduction would be equal to the federal poverty line for a household of two persons; and,
 - c) For a taxpayer filing as married filing jointly or surviving spouse, the standard deduction would be equal to the federal poverty line for a household that is equal to the number of persons in the taxpayer's household.
- 2) Defines "federal poverty line" as the poverty line defined by the United States Office of Management and Budget based on the most recent data available from the United States Bureau of the Census pursuant to Title 42, United States Code Section 9902, subsection (2).
- 3) Requires the Franchise Tax Board (FTB), on or before July 1, 2027, and annually thereafter, to publish on its website the most recent federal poverty lines to be used for the standard deduction for that taxable year.
- 4) Takes immediate effect as a tax levy.

EXISTING LAW:

- 1) Allows taxpayers who do not elect to itemize their deductions for the taxable year to deduct from adjusted gross income a basic standard deduction amount in calculating their taxable income. (Revenue and Taxation Code (R&TC) Section 17073.5.)
- 2) Allows taxpayers a personal exemption credit and an additional credit for each dependent. (R&TC Section 17054.)
- 3) Requires any bill authorizing a new tax expenditure to contain all of the following:

- a) Specific goals, purposes, and objectives that the tax expenditure will achieve;
- b) Detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets the goals, purposes, and objectives stated in the bill; and,
- c) Data collection requirements to enable the Legislature to determine whether the tax expenditure is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives. The requirements shall include the specific data and baseline measurements to be collected and remitted in each year the expenditure is in effect, for the Legislature to measure the change in performance indicators, and the specific taxpayers, state agencies, or other entities required to collect and remit data. (R&TC Section 41.)

FISCAL EFFECT: The FTB estimates General Fund revenue losses of \$3.9 billion in fiscal year (FY) 2026-27, \$7 billion in FY 2027-28, and \$7 billion in FY 2028-29.

COMMENTS:

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

California cannot claim to be a progressive economic bastion while operating a tax system that actively extracts revenue from residents who cannot afford to meet their basic needs. The current arbitrary standard deduction of \$5,706 is a fiscal relic wholly divorced from economic reality, actively harming single mothers, communities of color, and marginalized inland regions. AB 2591 represents a necessary paradigm shift. By permanently linking the state standard deduction to the poverty level and scaling it to household size, the legislation replaces a static figure with a dynamic metric of survival. The passage of AB 2591 would end the absurd cycle of taxing residents into deeper poverty only to subsidize their survival through programs facing unprecedented federal funding cuts. AB 2591 ensures that the state's tax code reflects basic arithmetic fairness and the fundamental right of working families to keep the money required simply to survive.

- 2) This bill is opposed by the California Teachers Association, which notes, in part:

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.

- 3) 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.

- b) *What does this bill do?* This bill would allow a taxpayer to elect to take a standard deduction equal to the federal poverty line, adjusted for a head of household and surviving spouse, for tax years beginning on or after July 1, 2027. The FTB would be required to update and post the relevant federal poverty levels for each subsequent tax year. The federal poverty levels for 2026 are as follows:
- i) \$15,960 for individuals;
 - ii) \$21,640 for family of two;
 - iii) \$27,320 for family of three; and,
 - iv) \$33,000 for family of four.
- c) *How do progressive income taxes work?* The federal income tax is progressive, meaning it applies higher marginal tax rates to higher levels of income. In other words, one pays tax as a percentage of one's income in layers called "tax brackets". As income goes up, the tax rate on the next layer of income is higher. When income jumps to a higher tax bracket, one does not pay the higher rate on one's entire income. One pays the higher rate only on the part that is in the new tax bracket. The federal income tax brackets for 2026 are displayed below:

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$12,400	\$0 to \$24,800	\$0 to \$17,700
12%	\$12,401 to \$50,400	\$24,801 to \$100,800	\$17,701 to \$67,450
22%	\$50,401 to \$105,700	\$100,801 to \$211,400	\$67,451 to \$105,700
24%	\$105,701 to \$201,775	\$211,401 to \$403,550	\$105,701 to \$201,775
32%	\$201,776 to \$256,225	\$403,551 to \$512,450	\$201,776 to \$256,200
35%	\$256,226 to \$640,600	\$512,451 to \$768,700	\$256,201 to \$640,600
37%	\$640,601 or more	\$768,701 or more	\$640,601 or more

Source: Internal Revenue Service, Revenue Procedure 2025-32.

- d) *What is the standard deduction?* The standard deduction is a dollar amount that reduces one's taxable income. Most taxpayers have a choice of either taking a standard deduction or itemizing their deductions and typically choose whichever results in owing the least amount of tax. By eliminating the need for many taxpayers to itemize actual deductions, such as medical expenses, charitable contributions, and local taxes paid, the standard deduction is primarily a tool to simplify the filing process for most taxpayers.

Prior to the introduction of the standard deduction, and when the nascent tax code of the day had a bewildering set of 32 different brackets, even distinguished figures such as the President of the United States occasionally struggled to determine their income tax liability. "I am wholly unable to figure out the amount," Franklin Delano Roosevelt would write to Commissioner of Internal Revenue Guy T. Helvering in 1938, along with an incomplete copy of his personal tax return, and a banker's check for \$15,000. "As this is a problem of higher mathematics, may I ask that the Bureau let me know the amount of the balance due?"¹ The Individual Income Act of 1944, soon dubbed the "Painless Extraction Tax Bill" in the press, marked the birth of the standard deduction.

- e) *The Tax Cuts and Jobs Act:* In 2017, the Tax Cuts and Jobs Act (TCJA) nearly doubled the standard deduction for all filers while also eliminating or restricting the ability to claim many itemized deductions. As before, the amounts are indexed annually for inflation. The TCJA changed the measure used for inflation indexing from the consumer price index for all urban consumers (CPI-U) to the chained CPI-U—a more accurate measure but one that results in a smaller upward adjustment each year. This, together with a higher standard deduction, reduced the number of taxpayers who itemize deductions. In 2017, 31% of all individual income tax returns had itemized deductions, compared with just 8% in 2022.²

The Federal standard deduction for 2025 is as follows:

- i) \$15,750 for single or married filing separately;
- ii) \$31,500 for married couples filing jointly or qualifying surviving spouse; and,
- iii) \$23,625 for head of household.

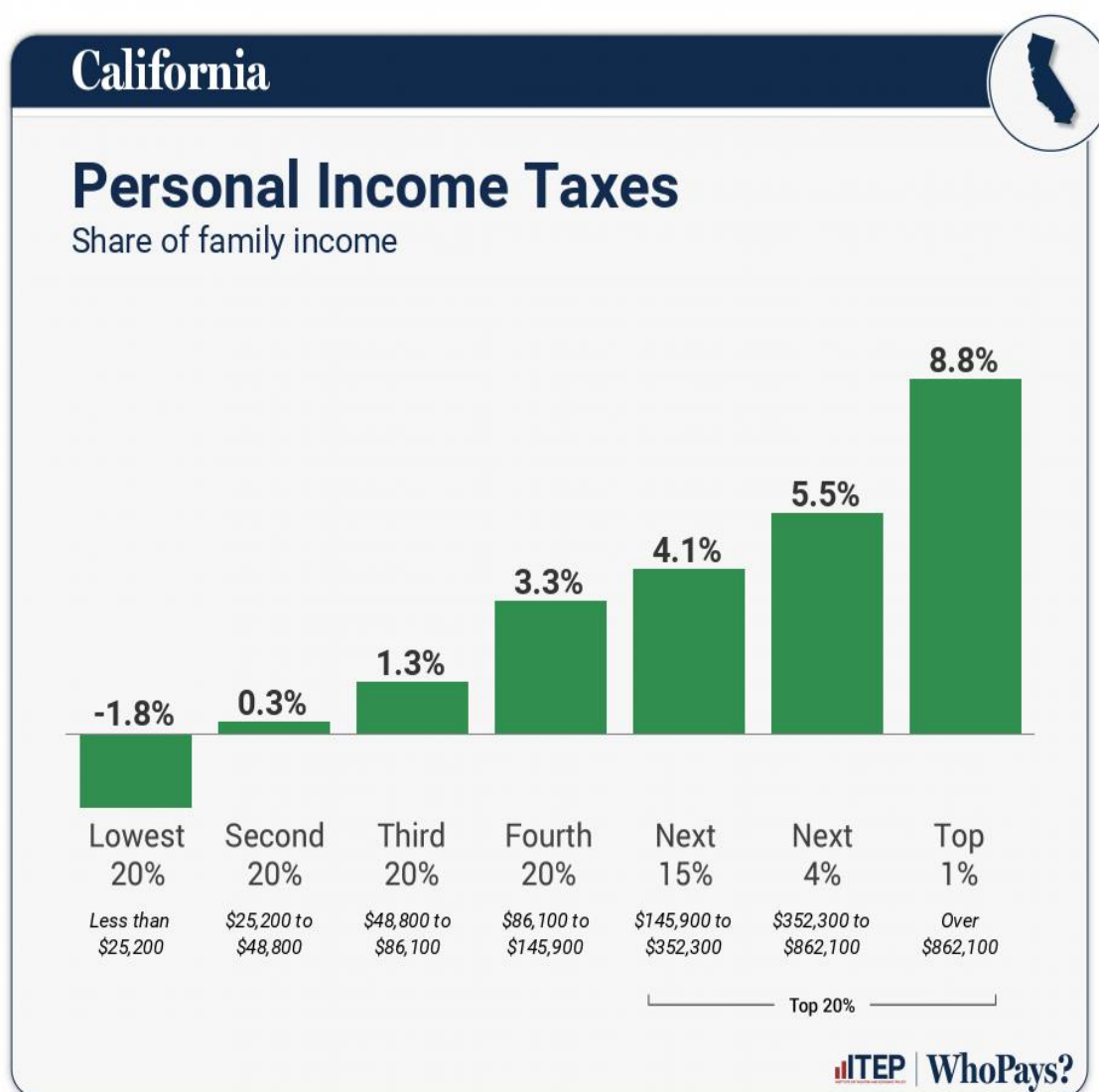
After the passage of the TCJA, California did not conform to many of the changes made by the TCJA. California's standard deduction for the 2025 tax year is as follows:

- i) \$5,706 for single or married filing separately; and,

¹ Sheila Weinberg, *The Surprising History of the Standard Deduction*, The Fiscal Times (July 11, 2019), <https://www.thefiscaltimes.com/Columns/2019/07/11/Surprising-History-Standard-Deduction>.

² *How did the TCJA and OBBBA change the standard deduction and itemized deductions?*, Tax Policy Center, <https://taxpolicycenter.org/briefing-book/how-did-tcja-change-standard-deduction-and-itemized-deductions>.

- ii) \$11,412 for married couples filing jointly, head of household, or qualifying surviving spouse.
- f) *How does California compare to other states?* In *Who Pays?*, the Institute on Taxation and Economic Policy (ITEP), assessed the progressivity and regressivity of state tax systems by measuring effective state and local tax rates paid by all income groups.³ The ITEP Tax Inequality Index measures the effects of each state's tax system – including income, sales, property, and excise taxes – on income inequality by assessing the impact state tax policy has on the post-tax incomes of taxpayers at different income levels. Essentially, it answers the following question: are incomes more, or less, equal after state taxes than before? Overall, the report concluded that a progressive, graduated rate income tax makes overall tax systems less regressive or more progressive.



³ *Who Pays?*, 7th Edition, Institute on Taxation and Economic Policy, <https://itep.org/whopays-7th-edition/#state-and-local-tax-systems-worse-inequality/>

ITEP found that tax structures in 44 states exacerbated inequality by making incomes more unequal after collecting state and local taxes. However, the tax structures in California, Maine, Minnesota, New Jersey, New York, and Vermont were found to reduce inequality and narrow the gap between lower and middle-income taxpayers and upper-income taxpayers, making the distribution of income more equal after collecting state and local taxes.

In the 10 states with the most regressive tax structures, those in the lowest income 20th percentile pay three times as much of their income in taxes as the wealthiest 1%. In Florida, home to the nation's most regressive tax system, low-income families pay almost five times as much as the wealthy. After Florida, the next most regressive tax codes can be found in Washington, Tennessee, Pennsylvania, Nevada, South Dakota, Texas, Illinois, Arkansas, and Louisiana.

California ranked 47th on ITEP's Inequality Index, finding that, on balance, the overall system tilts slightly progressive because high-income families pay rates that are somewhat higher than those paid by middle-income families, and roughly on par with those paid by low-income families. California, Minnesota, and Vermont were noted for their progressive personal income taxes that compensate for most of the regressivity inherent in other taxes, namely sales and fuel taxes.

- g) *Personal and dependent exemption credits*: Many states, including California, provide additional tax benefits in the forms of a credit, deduction, or exemption for each qualifying dependent claimed on a taxpayer's return. For 2025, a California taxpayer is allowed \$153 for the taxpayer's personal exemption credit and a credit of \$475 for each dependent the taxpayer is entitled to claim. There is no limit to the number of dependents that may be claimed, provided they otherwise qualify, meaning that the benefit scales with family size for most households.
- h) *Refundable tax credits*: Refundable tax credits allow a taxpayer to receive money from the state by claiming the full cash value of the credit amount that is in excess of their tax liability. This design enables taxpayers with little to no tax liability to benefit from the credit and has historically been used to target state resources to individuals in deep poverty. For example, a family that qualifies for a \$500 refundable credit and owes \$200 in taxes will get the full \$500 credit, with \$200 covering their taxes and \$300 as a cash refund. If the family owes no tax, they will get the full \$500 as a cash refund.

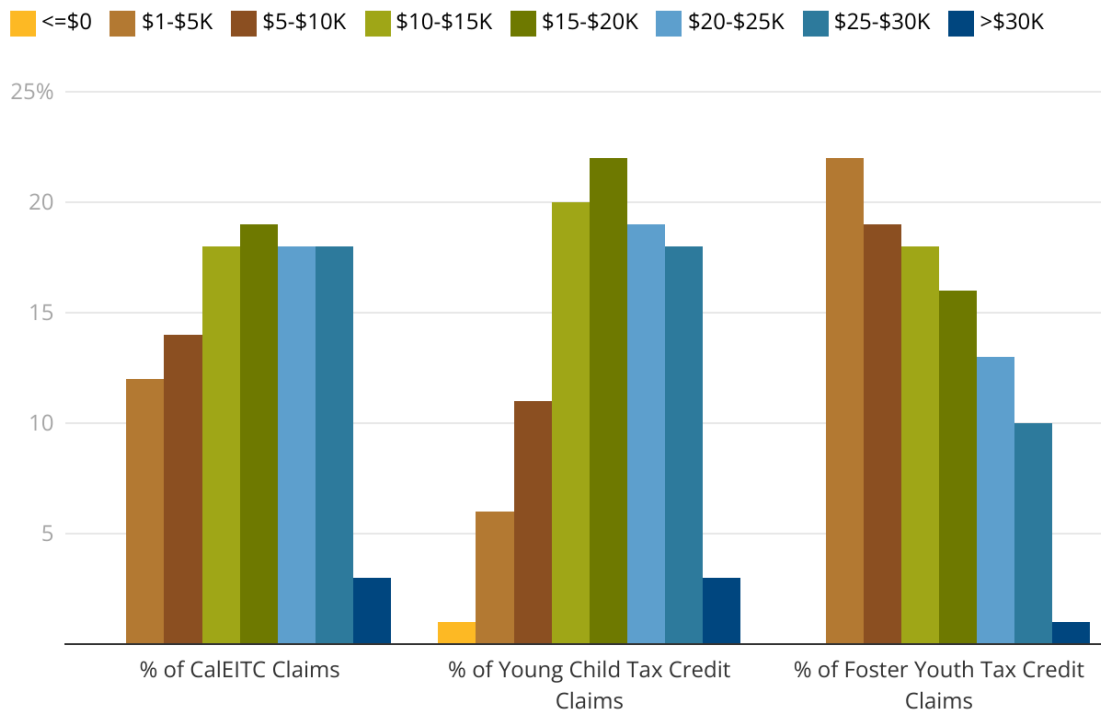
In addition to the Earned Income Tax Credit (EITC) provided under federal law, California's Earned Income Tax Credit (CalEITC), Young Child Tax Credit (YCTC), and Foster Youth Tax Credit (FYTC) are the major refundable tax credits allowed under the PIT Law intended to help families and individuals with low incomes make ends meet. Collectively, these credits have provided around \$1.4 billion annually to Californians in recent years, a significant increase from the \$200 million provided in 2015 when California established its first refundable credit.⁴

⁴ Alissa Anderson, *California's Refundable Income Tax Credits: \$1.4 Billion for Californians With Low Incomes*, California Budget & Policy Center (January 2025).

While these credits are available to tax filers who earn about \$32,900 or less, many who benefit from these credits have much lower incomes. For example, about 60% of tax filers who receive the CalEITC and YCTC and three-quarters of those who receive the FYTC earn \$20,000 or less. Among individuals eligible for the CalEITC, 58% are Latinx, 11% are Asian/Pacific Islander, and 6% are Black. Among Californians who are likely eligible for the YCTC, 64% are Latinx, 8% are Asian/Pacific Islander, and 7% are Black. This stands in stark contrast with other state and federal tax benefits that are largely available to people with high incomes and wealth and are disproportionately white.

California's Refundable Tax Credits Boost the Incomes of People with Very Low Incomes

Percentage of Tax Filers Receiving Credit by Earned Income, Tax Year 2023



Source: Franchise Tax Board



- i) *Appropriately targeted?* This bill would benefit all taxpayers who claim the standard deduction regardless of their income. Additionally, if a taxpayer's total amount of itemized deductions is less than the increased standard deduction proposed by this bill, they would likely choose to take the standard deduction instead of itemizing because it

would reduce their tax liability. Thus, this bill would likely result in an increase in the proportion of taxpayers choosing the standard deduction, even those with moderate and high incomes. If this is contrary to the author's intent, the bill should be amended.

- j) *Committee's tax expenditure policy:* Both R&TC Section 41 and Committee policy require any tax expenditure bill to 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. A tax expenditure bill will not be eligible for a Committee vote unless it has complied with these requirements. In its current form, this bill contains various findings and declarations that are not specific to Section 41.

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 vote. According to this policy, an "appropriate sunset provision" means five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" means ten years. This bill, as currently drafted, does not comply with the Committee's policy on sunset dates or Section 41 and is therefore not eligible for a vote in its current form.

- k) *Technical considerations:*

- i) *Head of household:* Head of household filing status allows qualifying taxpayers to file at a lower tax rate and a higher standard deduction than the filing status of single filers. To qualify, however, a taxpayer must meet the following specific criteria as of December 31 for that tax year: (1) be unmarried, considered unmarried, or not in a registered domestic partnership; (2) have at least one qualifying child or relative; (3) the qualifying person(s) lived with the taxpayer for more than 183 days in the year; (4) the taxpayer paid more than half of the costs for maintaining a home; and, (5) the taxpayer was a U.S. citizen or legal resident for the whole year. Taxpayers filing as head of household must include the Head of Household Filing Status Schedule (FTB Form 3532) with their return.

As currently drafted, this bill provides that a taxpayer filing as a head of household is entitled to claim a standard deduction amount equal to the federal poverty level for a household of two persons. Head of household filing status does not, however, limit taxpayers to claiming no more than one dependent. Therefore, it is recommended that this bill be amended.

- ii) *Start of taxable year:* As currently drafted, this bill modifies the standard deduction amount for tax years beginning on or after July 1, 2027. However, individuals typically file on a calendar year basis. This may lead to taxpayer confusion regarding when they would be able to claim the new standard deduction. It would also treat individuals with a taxable year that starts on January 1, 2027 differently than those whose taxable year starts on or after July 1, 2027. Therefore, it is recommended that this bill be amended to provide that the new standard deduction is effective for taxable years beginning on or after January 1, 2027.

l) *Related legislation:*

- i) AB 1690 (Ahrens) would expand the YCTC by progressively increasing the age limit for a qualifying child. AB 1690 is currently pending on this Committee's Suspense File.
- ii) SB 1144 (Valladares) would increase the exemption credit for each dependent claimed by a taxpayer to \$700 for taxable years beginning on or after January 1, 2026, and before January 1, 2031. SB 1144 is currently pending hearing by the Senate Committee on Revenue and Taxation.
- iii) SB 1277 (Grove) would allow, for each taxable year beginning on or after January 1, 2027, and before January 1, 2032, a refundable cost-of-living credit, as specified. SB 1277 failed passage in the Senate Committee on Revenue and Taxation on April 8, 2026, with a vote of 1 Aye to 4 Noes.
- m) *Prior legislation:* SB 995 (Gaines), of the 2017-18 Legislative Session, would have increased the amount of the standard deduction by \$1,500 for taxpayers using the single or married filing separate filing status and \$3,000 for taxpayers filing as married filing joint, head of household, or surviving spouse. SB 995 was heard for testimony only and was not voted on by the Senate Committee on Governance and Finance.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

California Teachers Association

Analysis Prepared by: Wesley Whitaker / REV. & TAX. / (916) 319-2098