

**First Regular Session
Seventy-Seventh General Assembly
STATE OF SAN ANDREAS**

ENGROSSED

LLS NO. 26-0717.02 Asa Miller x2741

HOUSE BILL 26-012

SENATE SPONSORSHIP

Zokaie

HOUSE SPONSORSHIP

Richards, Roberts, Rocha, Willis

House Committees

Finance & Revenue

Senate Committees

Not assigned

A BILL FOR AN ACT

CONCERNING REVISING STATE INCOME TAX FOR LOW-INCOME RESIDENTS.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <https://saleg.uscgov.com>)

This bill modifies the state income tax structure by eliminating state income tax liability for individuals earning less than \$25,000 annually and adjusting upper-income tax brackets to maintain state revenue stability. The bill is intended to reduce the tax burden on low-income residents while reallocating tax responsibility toward higher-income earners based on ability to pay.

Shading denotes HOUSE amendment. Underlining denotes SENATE amendment.
*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.*

Beginning in tax year 2027, individuals with taxable income below \$25,000 would no longer be subject to state income tax. Existing tax rates for middle-income earners remain unchanged under the bill. To offset the reduction in revenue resulting from the exemption, the legislation directs the Department of Revenue to apply adjusted marginal tax rates to income exceeding \$330,000 annually, subject to fiscal analysis and implementation through rulemaking.

The bill also requires the Department of Revenue to update withholding guidance and provide public information regarding the revised tax structure. A reporting requirement directs the Department to evaluate the fiscal and economic impacts of the new tax brackets and submit findings to the Governor and the General Assembly.

1 *Be it enacted by the General Assembly of the State of San*
2 *Andreas:*
3 **SECTION 1. SHORT TITLE.** This bill shall be known and cited
4 as the “Fair Income Tax Adjustment Act.” **SECTION 2.**
5 **LEGISLATIVE FINDINGS AND INTENT.** (a) The General
6 Assembly finds that the state income tax system should reflect
7 principles of fairness, ability to pay, and economic stability. (b)
8 Lower-income households experience a disproportionate financial
9 burden from taxation relative to income, particularly with respect
10 to essential living expenses. (c) Providing tax relief to low-income
11 residents supports economic mobility, reduces financial insecurity,
12 and strengthens local economies through increased consumer
13 spending. (d) Adjustments to tax brackets for higher-income
14 earners may be used to maintain revenue neutrality while reducing
15 tax burdens on lower-income households. (e) It is the intent of the
16 General Assembly to eliminate state income tax liability for
17 individuals earning less than twenty-five thousand dollars
18 annually and to adjust upper-income tax brackets to ensure
19 continued funding of state services. **SECTION 3.**
20 **DEFINITIONS.** For purposes of this Act, unless the context
21 otherwise requires: (a) “Department” means the Department of

1 Revenue. (b) “Taxable income” means income subject to state
2 income taxation as defined by existing law. (c) “Resident
3 taxpayer” means an individual subject to state income tax under
4 state law. **SECTION 4. MODIFICATION OF INCOME TAX**
5 **BRACKETS.** (a) Beginning with tax year 2027, the state income
6 tax rate schedule shall be modified as follows: (I) Taxable income
7 up to twenty-five thousand dollars annually shall be subject to a
8 zero percent state income tax rate. (II) Taxable income between
9 \$25,001 and \$330,000 annually: Tax rates shall remain as
10 established under existing law unless modified by future
11 legislation. (III) Taxable income exceeding three hundred thirty
12 thousand dollars annually shall be subject to additional marginal
13 tax rates established by law. The Department shall not
14 independently adjust tax rates except as expressly authorized by
15 statute enacted by the General Assembly. (c) Nothing in this
16 section shall reduce or eliminate existing deductions, credits, or
17 exemptions unless otherwise provided by law. (d) Beginning in
18 tax year 2029 and every tax year thereafter, the income threshold
19 established in subsection (a)(I) of this section shall be adjusted
20 annually by the Department based upon the consumer price index
21 to preserve the real value of the exemption. (e) A refundable
22 working family tax credit is hereby created for resident taxpayers
23 with taxable income not exceeding fifty thousand dollars annually.
24 The credit shall equal five percent of earned income, not to
25 exceed one thousand dollars per taxpayer, and shall be refundable
26 regardless of tax liability. (f) Implementation of this Act shall not
27 result in an increase in effective income tax liability for resident
28 taxpayers with taxable income below three hundred thirty
29 thousand dollars annually unless expressly authorized by
30 subsequent legislation. **SECTION 4.5. REVENUE**
31 **STABILIZATION.** (a) If implementation of this Act results in a
32 projected revenue reduction exceeding two percent of general
33 fund revenue in any fiscal year, adjustments to upper-income

1 marginal tax rates shall occur only following approval by the
2 General Assembly through the annual appropriations process. (b)
3 No adjustment authorized under this section shall reduce the
4 zero-rate income bracket established under Section 4. **SECTION**
5 **5. IMPLEMENTATION.** (a) The Department of Revenue shall
6 promulgate rules necessary to implement the revised tax brackets.
7 (b) The Department shall update withholding tables and guidance
8 for employers no later than October 1, 2026. (c) Public
9 informational materials shall be made available to taxpayers
10 explaining the new bracket structure. (d) Updated withholding
11 tables shall ensure that taxpayers eligible for the zero-rate bracket
12 receive corresponding reductions in payroll withholding
13 beginning January 1, 2027. **SECTION 6. REPORTING**
14 **REQUIREMENT.** (a) On or before January 15, 2029, and
15 annually thereafter for five years, the Department of Revenue
16 shall submit a report to the Governor and the General Assembly
17 evaluating: (I) Revenue impacts of the revised tax structure; (II)
18 Distributional effects across income groups; (III) Poverty
19 reduction and household income stability outcomes; (IV)
20 Economic growth indicators; and (V) Recommendations for
21 statutory modification. **SECTION 7. EFFECTIVE DATE.** This
22 Act shall take effect after the 90 day period following the final
23 adjournment of the Seventy-Seventh general assembly and shall
24 apply to income earned on or after that date.