

Introduced by Senator Archuleta
(Principal coauthor: Assembly Member Schiavo)
(Coauthor: Senator Choi)

February 20, 2026

An act to amend Sections 17132.9 and 17132.10 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1407, as introduced, Archuleta. Personal Income Tax Law: exclusions: military retirement pay: survivor benefit pay.

The Personal Income Tax Law, in conformity with federal income tax laws, defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income, including, for taxable years beginning on or after January 1, 2025, and before January 1, 2030, an exclusion from gross income for retirement pay received by a qualified taxpayer, as defined, during the taxable year, not to exceed \$20,000, from the federal government for service performed in the uniformed services, as defined, and an exclusion for income annuity payments received by a qualified taxpayer, as defined, not to exceed \$20,000, pursuant to a United States Department of Defense Survivor Benefit Plan, as specified. Existing law defines "qualified taxpayer" for the purpose of these exclusions to mean taxpayers that satisfy specified income limitations.

This bill would amend the above-described exclusions to eliminate the income limitations for taxpayers and to eliminate the \$20,000 limitation on income eligible for exclusion. The bill would also extend the exemption until taxable years beginning before January 1, 2037.

Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals that the tax expenditure will

achieve, detailed performance indicators, and data collection requirements.

This bill also would include additional information required for any bill authorizing a new tax expenditure.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17132.9 of the Revenue and Taxation
2 Code is amended to read:

3 17132.9. (a) For taxable years beginning on or after January
4 1, 2025, and before January 1, ~~2030~~, 2037, gross income shall not
5 include retirement pay received by a ~~qualified~~ taxpayer during the
6 taxable year, ~~not to exceed twenty thousand dollars (\$20,000),~~
7 ~~year~~ from the federal government for service in the uniformed
8 services.

9 (b) For purposes of this section, ~~the following definitions apply:~~
10 *“uniformed services” means the Armed Forces of the United States,*
11 *the Army National Guard and the Air National Guard when*
12 *engaged in active duty for training, inactive duty training, or*
13 *full-time National Guard duty, the commissioned corps of the*
14 *United States Public Health Service, and the National Oceanic*
15 *and Atmospheric Administration Commissioned Officer Corps.*

16 (1) ~~“Qualified taxpayer” means a taxpayer that satisfies either~~
17 ~~of the following:~~

18 (A) ~~In the case of a surviving spouse or spouses filing a joint~~
19 ~~return, adjusted gross income, as required to be shown on the~~
20 ~~federal tax return for the same taxable year, does not exceed two~~
21 ~~hundred fifty thousand dollars (\$250,000).~~

22 (B) ~~In the case of any other individual, adjusted gross income,~~
23 ~~as required to be shown on the federal tax return for the same~~
24 ~~taxable year, does not exceed one hundred twenty-five thousand~~
25 ~~dollars (\$125,000).~~

26 (2) ~~“Uniformed services” means the Armed Forces of the United~~
27 ~~States, the Army National Guard and the Air National Guard when~~
28 ~~engaged in active duty for training, inactive duty training, or~~
29 ~~full-time National Guard duty, the commissioned corps of the~~

1 ~~United States Public Health Service, and the National Oceanic and~~
2 ~~Atmospheric Administration Commissioned Officer Corps.~~

3 (c) This section shall remain in effect only until December 1,
4 2030, 2037, and as of that date is repealed.

5 SEC. 2. Section 17132.10 of the Revenue and Taxation Code
6 is amended to read:

7 17132.10. (a) For taxable years beginning on or after January
8 1, 2025, and before January 1, ~~2030, 2037~~, gross income shall not
9 include annuity payments received by a ~~qualified~~ taxpayer during
10 the taxable year, not to exceed twenty thousand dollars (\$20,000),
11 year pursuant to a United States Department of Defense Survivor
12 Benefit Plan.

13 (b) For purposes of this section, ~~the following definitions apply:~~
14 *“United States Department of Defense Survivor Benefit Plan” or*
15 *“plan” means a survivor benefit plan established pursuant to*
16 *Sections 1447 to 1455, inclusive, of Title 10 of the United States*
17 *Code.*

18 (1) ~~“Qualified taxpayer” means the surviving spouse or other~~
19 ~~named beneficiary of a plan who satisfies either of the following:~~

20 (A) ~~In the case of a surviving spouse or spouses filing a joint~~
21 ~~return, adjusted gross income, as required to be shown on the~~
22 ~~federal tax return for the same taxable year, does not exceed two~~
23 ~~hundred fifty thousand dollars (\$250,000):~~

24 (B) ~~In the case of any other individual, adjusted gross income,~~
25 ~~as required to be shown on the federal tax return for the same~~
26 ~~taxable year, does not exceed one hundred twenty-five thousand~~
27 ~~dollars (\$125,000):~~

28 (2) ~~“United States Department of Defense Survivor Benefit~~
29 ~~Plan” or “plan” means a survivor benefit plan established pursuant~~
30 ~~to Sections 1447 to 1455, inclusive, of Title 10 of the United States~~
31 ~~Code.~~

32 (c) This section shall remain in effect only until December 1,
33 2030, 2037, and as of that date is repealed.

34 SEC. 3. (a) For purposes of complying with the requirements
35 of Section 41 of the Revenue and Taxation Code, with respect to
36 the exclusions allowed by Section 17132.9 and 17132.10 of the
37 Revenue and Taxation Code, as extended by this act, hereafter
38 known as “the exclusions,” the Legislature finds and declares the
39 following:

40 (1) The specific goals of the exclusions are as follows:

1 (A) To recognize the loss and sacrifice of our military families
2 and give them the support that our community owes them.

3 (B) To provide some financial relief to families that have
4 experienced not only the loss of a loved one, but also often the
5 loss of the sole income of the family, and who are now trying to
6 make ends meet on a portion of that original income.

7 (2) There is no available data to collect or report with respect
8 to the exclusions.

9 (b) This section shall remain in effect only until December 1,
10 2037, and as of that date is repealed.

11 SEC. 4. This act provides for a tax levy within the meaning of
12 Article IV of the California Constitution and shall go into
13 immediate effect.