

ASSEMBLYMAN
Juan Alanis
22ND DISTRICT

AB 17 – Middle-Class Income Tax Relief

SUMMARY

Assembly Bill 17 (AB 17) eases the burden of ongoing inflation and the rising cost of living across the state by decreasing personal income tax rates for middle-income Californians.

EXISTING LAW

*See 2022 California Tax Rate Schedules, per the Franchise Tax Board (FTB).

For purposes of AB 17, middle-income earners are defined as those taxed at rates of 6 percent and 8 percent.

PROBLEM

In 2022, California upheld its national record for the highest state personal income tax, highest gasoline tax, and highest state sales tax rate at a baseline of 7.25 percent that can increase upwards of 10 percent when combined with local sales taxes. Additionally, between 2020 and 2022, California’s Department of Finance (DOF) recorded a 5.1 percent increase in its Consumer Price Index (CPI), which represents how dramatically the costs of goods and services have increased in recent years.

The California Taxpayers Association, in their 2021 Tax Facts, found that over 65 percent of income tax revenue is generated from the state’s top 5 percent of income

earners. These income-earners are taxed far more than those in the 6 percent and 8 percent ranges. However, the state’s tax structure has burdened the middle-class in particular. Taxpayers who fall into this category are typically ineligible for state and federal welfare programs because their salaries fall just above the state’s poverty threshold. Still, while the California Poverty Measure (CPM) marks the poverty line at just under \$37,000, the average cost of living in California is nearly \$50,000, according to the Bureau of Economic Analysis. This has created a gap of Californians who are struggling to afford necessities like groceries, housing, and transportation.

THE SOLUTION

AB 17 benefits middle-class workers taxed at rates of 6 percent and 8 percent and proposes that taxpayers in each category will be taxed at rates of 4 percent, beginning in 2024.

As the state faces potential recession, it is critical that California offers relief to its middle-income taxpayers. AB 17 is a starting point to providing the relief that Californians have been waiting for.

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*2022 California Tax Rate Schedules, per the Franchise Tax Board (FTB).

Single:	Income between \$37,788 and \$52,455	Tax = \$931.69 + 6% of amount over \$37,788
	Income between \$52,455 and \$66,295	Tax = \$1,811.71 + 8% of amount over \$52,455
Joint:	Income between \$75,576 and \$104,910	Tax = \$1,863.38 + 6% of amount over \$75,576
	Income between \$104,910 and \$132,590	Tax = \$3,623.42 + 8% of amount over \$104,910
HOH:	Income between \$61,730 and \$76,397	Tax = \$1,309.34 + 6% of amount over \$61,730
	Income between \$76,397 and \$90,240	Tax = \$2,189.36 + 8% of amount over \$76,397