



Bill Analysis

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Sponsor:

Bill Number: AB 1076

Related Bills: See Legislative
History

Introduced: February 20, 2025,
Amended: March 28, and
May 23, 2025.

SUBJECT

California Achieving a Better Life Experience (CalABLE) Direct Deposits

SUMMARY

The bill would, under the Revenue and Taxation Code (RTC), require the Franchise Tax Board (FTB) to revise individual and fiduciary tax form instructions to inform taxpayers they can request a direct deposit of a portion of an income tax refund into the California ABLE Program Trust beginning January 1, 2026. This analysis only addresses the provisions that would impact the FTB.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

The March 28, 2025, amendments removed provisions of the bill relating to the Education Code and made technical changes under the Welfare and Institutions Code (WIC). These amendments would not impact the FTB.

The May 23, 2025, amendments removed and modified provisions of the bill relating to WIC. These amendments would not impact the FTB.

REASON FOR THE BILL

The reason for the bill is to encourage taxpayers to save for future educational expenses for themselves or their dependents by requiring the FTB to include return filing instructions for depositing a portion of an income tax refund into an ABLE account.

ANALYSIS

This bill would, under the RTC, require the FTB to revise form instructions to include information regarding a taxpayer's option to directly deposit a portion of their personal income tax refund into the California ABLE Program Trust.

This bill would require the California ABLE Act Board to provide the FTB with a description of the California ABLE Program Trust, not to exceed five lines, on or before a date specified by the FTB.

The bill defines "California ABLE Program Trust" as the trust created pursuant to Chapter 15 of Division 4.5 of WIC.

Effective/Operative Date

This bill would be effective and operative January 1, 2026.

Federal/State Law

Existing state and federal laws provide for qualified tuition programs (known as Internal Revenue Code (IRC) section 529 accounts) and ABLE accounts (known as IRC section 529A accounts). Both are tax-favored savings programs. An IRC section 529 plan account is a tax-advantaged investment vehicle in the United States designed to encourage saving for the future higher education expenses of a designated beneficiary. An ABLE account is a tax-advantaged investment vehicle in the United States designed to encourage saving for the account beneficiary's qualified disability expenses.

An eligible individual for an ABLE account is an individual either (1) for whom a disability certification has been filed with the Secretary for the taxable year, or (2) who is entitled to Social Security Disability Insurance benefits or SSI benefits, based on blindness or disability, and such blindness or disability occurred before the individual attained age 46.

Federal law allows taxpayers three direct deposit options:

- Split the refund with direct deposits into up to three checking and/or savings accounts,
- Direct deposit the refund into a checking or savings account, including health savings, brokerage or other accounts, such as an IRA, or
- Use the refund to purchase up to \$5,000 in United States Series I Savings Bonds.

State law allows taxpayers the following direct deposit options:

- Split the refund with direct deposits into more than one checking and/or savings accounts, including an IRC section 529 college savings account,
- Direct deposit the refund into a checking or savings account, including an IRC section 529 college savings account (Golden State ScholarShare College Savings Plan or other IRC section 529 college savings account).

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 984 (Nguyen, 2025/2026), under the PITL, would allow the CalABLE deduction to be an above-the-line deduction in determining adjusted gross income for taxable years beginning on or after January 1, 2026, and before January 1, 2031, and would add RTC section 41 goals and FTB reporting requirements. AB 984 was held in the Assembly Appropriations Committee.

AB 449 (Irwin, Chapter 774, Statutes of 2015) this bill, for taxable years on or after January 1, 2016, established the state ABLE Program Trust for purposes of conforming to the federal ABLE Act. This bill authorized the ABLE Act Board to adopt regulations to implement the program, created the program fund, and required the ABLE Act Board to administer the program in compliance with the Federal ABLE Act.

AB 1796 (Linder, Chapter 135, Statutes of 2014) this bill required the FTB to revise taxpayer form instructions to include information about the ability of a taxpayer to directly deposit a portion of a refund into the Golden State ScholarShare College Savings Trust.

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 as amended May 23, 2025, would not impact state income or franchise tax revenue.

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

Assembly Floor Analysis dated May 28, 2025.

Support

None pertaining to the most recent version of the bill.

Opposition

None on file.

ARGUMENTS

Assembly Floor Analysis dated May 28, 2025.

Proponents

None pertaining to the most recent version of the bill.

Opponents

None on file.

LEGISLATIVE CONTACT

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