



Bill Analysis

Author: Pellerin

Sponsor:

Bill Number: AB 2650

Related Bills: See Legislative
History

Introduced: February 20, 2026

SUBJECT

CalSavers Retirement Savings Trust Act

SUMMARY

Effective January 1, 2027, this bill would under the Government Code (GOV) impose an additional \$500 penalty, per eligible employee, on employers that continue to fail to allow its eligible employees to participate in the CalSavers Retirement Savings Program. The additional penalty assessment would be limited to once every 180 days. These additional penalties may be referred by CalSavers Retirement Savings Board (CalSavers Board) to the Franchise Tax Board (FTB) for collection.

This analysis only addresses the provisions of the bill that would impact the FTB's programs or operations.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to encourage employer and employee participation in the CalSavers Retirement Savings Program (Program).

ANALYSIS

FTB's collection programs currently collect penalties assessed under this program. This bill would expand the employer penalty framework under GOV section 100033 by adding an additional \$500 penalty per eligible employee, imposed on each eligible employer that continues to fail to allow its eligible employees to participate after the existing \$250 and \$500 penalties have been assessed, and would limit the imposition of this penalty to once every 180 days.

Mirroring the collection procedures for the current penalties, the additional amounts assessed under this bill may be referred by the CalSavers Board to FTB. FTB would issue a penalty notice, perform collection activities, and administer employer appeals. Amounts collected would continue to be transmitted to the CalSavers Retirement Savings Trust, and the CalSavers Board would reimburse FTB for the administrative costs associated with these functions.

Additionally, the bill would expand the definition of eligible employers having one or more eligible employees to include household employers defined as employers who have hired or contracted someone to work in or around their home for the benefit of their personal household and provide the employee a W-2 federal tax form to evidence tax deductions at the federal and state level.

An eligible employer would be required to have a CalSavers Program payroll deposit retirement savings arrangement if they do not offer a general retirement savings program by December 31, 2027, and would allow the CalSavers Board to extend the start date.

Effective/Operative Date

This bill would be effective and operative January 1, 2027.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

CalSavers Retirement Savings Program

Current state law generally requires all California employers with one or more employees that do not offer an employer-sponsored retirement to facilitate their employees' participation in the Program by December 31, 2025.

The CalSavers Board is authorized to administer the enforcement of employer compliance with this program.

An eligible employer, as defined, that without good cause, fails to allow its eligible employees to participate in the Program must pay a penalty as follows:

- \$250 per eligible employee if noncompliance continues after CalSavers' final notice of penalty, and
- An additional \$500 per eligible employee if found to be in noncompliance 90 days after the issuance of FTB's first notice of noncompliance.

Implementation Considerations

The FTB has identified the following considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

Implementing this bill would require the FTB to update the existing interagency agreement with the CalSavers Board to reflect the additional penalty provisions.

This bill expands the definition of "eligible employer" to include household employers; however, the bill's definition of "household employers" may be unclear for effective administration. The current language provides that household employers are those who hire or contract with an individual and issue a W-2, but it is unclear whether this definition applies to individuals contracted to perform services on a one-time or infrequent basis. For clarity, it is recommended that the bill be amended to remove "or contracted" to clarify that independent contractors are not included and to remove "to evidence tax deductions at the federal and state level."

The CalSavers Program provisions in the Revenue and Taxation Code should be amended to match the requirements in the GOV so there are no conflicting requirements.

Technical Considerations

None noted.

Policy Considerations

This bill extends the date to comply with the CalSavers Program to December 31, 2027. If it is not the author's intent to pause the program for 2027, the author may want to amend the bill.

LEGISLATIVE HISTORY

SB 1126 (Cortese, et al., Chapter 192, Statutes of 2022), under the GOV, among other changes, requires eligible employers with one or more eligible employees that do not offer a retirement savings program shall have a payroll deposit retirement savings arrangement by December 31, 2025, to allow employee participation in the program.

AB 102 (Assembly Committee on Budget, Chapter 21, Statutes of 2020), among other changes, allowed FTB to take specified collection action for an eligible employer referred by the CalSavers Board for noncompliance and conduct eligible employer appeals related to the imposition of penalties for noncompliance.

PROGRAM BACKGROUND

FTB's Collection Program

FTB collects tax owed through self-assessment, audit, settlement, and filing enforcement. Automated systems collect revenue from taxpayers who voluntarily comply, while manual collections make efforts to collect from taxpayers who do not comply.

In addition to the collection of taxes owed, the FTB also collects certain nontax debt, including court ordered debt, delinquent vehicle registration, federal debts (Treasury offset program), collection of other state taxes (multistate offset program), and beginning in January 2022, amounts due under the Program.

CalSavers

CalSavers is California's state administered retirement savings program that offers a workplace retirement option for employees whose employers do not provide a qualified plan. Employer participation is mandatory, while employee enrollment is voluntary. Employees can opt out of the program by making a notation on the opt-out form and employees may change their election and opt in during the CalSavers Board's designated open enrollment period, or at any other time.

CalSavers administers the program and assesses employer noncompliance penalties, while the FTB is responsible for issuing noncompliance notices, collecting assessed penalties, upon referral from the CalSavers Board. FTB is also tasked with providing customer assistance, and conducting employer appeals for the penalties associated with the program.

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 determined.

ECONOMIC IMPACT

Revenue Estimate

This bill, as introduced on February 20, 2026, 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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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