



Bill Analysis

Author: Pellerin

Sponsor:

Bill Number: AB 2650

Related Bills: See Legislative
History

Amended: May 18, 2026, and
May 22, 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 no more than 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

The May 18, 2026 amendments modified the provisions of the bill that would be administered by the CalSavers Board. These amendments would not impact the FTB.

The May 22, 2026 amendments **modified the definition of “household employers”**, modified CalSavers Program provisions in the Revenue and Taxation Code to match the requirements in the GOV, modified CalSavers Program compliance dates, and modified provisions of the bill that would be administered by the CalSavers Board.

As a result of the May amendments, all considerations as discussed in FTB's analysis of this bill as introduced February 20, 2026, were resolved.

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 not exceed once every 180 days after the last notice of the imposition of a penalty for specific noncompliance.

Mirroring the collection procedures for the current penalties, the additional amounts assessed under this bill may be referred by the CalSavers Board to FTB. Upon notification from CalSavers, 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 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.

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.

The bill states that the FTB shall issue subsequent penalty notices of the imposition of penalties to an eligible employer if noncompliance continues, after the CalSavers Retirement Savings Board informs the FTB of the eligible employer's noncompliance.

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

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

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 amended on May 22, 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

Assembly Floor analysis, dated May 26, 2026

Support

California State Treasurer

Opposition

None on file.

ARGUMENTS

Assembly Floor analysis, dated May 26, 2026

Proponents

As sponsors of the bill, the State Treasurer writes:

This bill updates outdated parts of the CalSavers law, clarifies employer participation requirements, and makes it easier for participants to access federal tax benefits, address financial insecurity and participant retirement savings fund leakage through automatic (opt-out) IRA accounts alongside sidecar emergency savings accounts. Overall, this bill expands economic opportunity and financial security for working Californians, especially underbanked and low- to moderate-income workers—by improving access to retirement savings and helping close the wealth and retirement preparedness gap.

Opponents

None on file.

LEGISLATIVE CONTACT

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