



Bill Analysis

Author: Senate Committee on Revenue and Taxation

Sponsor:
Related Bills: See Legislative History

Bill Number: SB 1436

Introduced: March 11, 2026

SUBJECT

Rollovers from Qualified Tuition Programs to ABLE Accounts

SUMMARY

This bill would, under the Personal Income Tax Law and Corporate Tax Law for taxable years beginning on or after January 1, 2026, conform to the federal law relating to Achieving a Better Life Experience Accounts (ABLE accounts), specifically increasing the limitation on contributions to ABLE accounts, allowing a designated beneficiary to increase their contribution and applying a modified calculation for the cash contribution inflation adjustment.

This analysis only addresses the provisions that would impact the Franchise Tax Board (FTB).

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 this bill is to encourage taxpayers to save for future expenses for themselves or their dependents.

ANALYSIS

This bill would, for contributions made on or after January 1, 2026, conform to the changes made to federal law under the One Big Beautiful Bill Act (OBBBA, Public Law 119-21, section 70115). The OBBBA made permanent the increased limitation on contributions to ABLE accounts that was set to expire for contributions made before January 1, 2026. The increased limitation allows a designated beneficiary of an ABLE

account to contribute additional amounts to the account after the overall limitation contribution is reached (\$19,000 for 2025), up to the lesser of the following:

- The federal poverty line for a one-person household, or
- The individual's compensation includible as gross income for the taxable year.

Additionally, for taxable years beginning on or after January 1, 2026, this bill would conform to the modification of the annual cash contribution inflation adjustment by using 1996 as the starting year rather than 1997 for the cost-of-living base year calculation.

Effective/Operative Date

This bill would be effective January 1, 2026, and specifically operative for taxable years beginning on or after January 1, 2026, for contributions made on or after January 1, 2026.

Federal/State Law

Existing state and federal laws provide for qualified tuition programs, also known as Internal Revenue Code (IRC) 529 accounts as well as ABLÉ accounts, known as IRC 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 ABLÉ account is a tax-advantaged investment vehicle in the United States designed to encourage saving for the account beneficiary's qualified disability expenses.

Federal law, under the provisions of the OBBBA, makes permanent the increased contribution limitation to ABLÉ accounts under certain circumstances, which was set to expire under the Tax Cuts and Jobs Act (Public Law (P.L.) 115-97, section 11024(a)), for contributions made before January 1, 2026. While the general overall limitation on contributions (the per-donee annual gift tax exclusion (\$19,000 for 2025)) remains the same, the limitation is increased with respect to contributions made by the designated beneficiary of the ABLÉ account. After the overall limitation on contributions is reached, an ABLÉ account's designated beneficiary may contribute an additional amount, up to the lesser of:

- The Federal poverty line for a one-person household; or
- The individual's compensation for the taxable year.

The OBBBA also modified the cash contribution annual inflation calculation to require the cost-of-living base year calculation to begin one year earlier, replacing the 1997 starting year with 1996.

Current state law conforms to IRC sections 529 and 529A, as of the "specified date" of January 1, 2025, with modifications, for example the additional tax for state purposes is reduced to 2.5%.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 1076 (Addis, Chapter 722, Statutes of 2025) required the FTB to revise individual and fiduciary tax form instructions to inform taxpayers that they can request a direct deposit of a portion of an income tax refund into the California ABLE Program Trust beginning January 1, 2026. Additionally, under the Welfare and Institutions Code, this bill amended a provision related to the power and authority of the California ABLE Act Board who administers the California ABLE Program Trust.

AB 339 (Irwin, Chapter 324, Statutes of 2023) beginning January 1, 2026, revises the definition of "eligible individual" under the Qualified ABLE Program by increasing the age limit for when an eligible individual's blindness or disability occurred to 46 years of age to conform with the federal ABLE Act.

AB 2216 (Irwin, Chapter 896, Statutes of 2022) made changes to the CalABLE Act to better align with the federal ABLE Act.

AB 91 (Burke, Chapter 39, Statutes of 2019) eliminated differences in qualification criteria for ABLE accounts between federal and California tax law to increase contribution limits to up to the federal poverty level and allow taxpayers to rollover Section 529 plans to ABLE accounts.

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) 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.

AB 984 (Nguyen, 2025/2026), under the Personal Income Tax Law, 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.

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 determined.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1436 as Introduced March 11, 2026
 Assumed Enactment after June 30, 2026

Fiscal Year	Revenue
2026-2027	-\$40,000
2027-2028	-\$20,000
2028-2029	-\$30,000

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.

Revenue Discussion

This estimate is based on a proration of the Joint Committee on Taxation (JCT) federal tax expenditure estimate for the extension and enhancement of increased limitation on contributions to ABLE accounts. On July 1, 2025, the JCT estimated the federal impact of the provision to be a loss of approximately \$500,000 in federal fiscal year 2026-27. The corresponding loss to California is estimated to be \$40,000 in the 2026 taxable year.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

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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