Date of Hearing: April 27, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

AB 2444 (Michelle Rodriguez) – As Amended April 13, 2026

SUSPENSE

Majority vote. Tax levy. Fiscal committee.

SUBJECT: Personal Income Tax Law: qualified tuition program

SUMMARY: Allows, under the Personal Income Tax (PIT) Law, an "above-the-line" deduction for "qualified taxpayers" who make contributions to California's ScholarShare qualified tuition program (QTP) and conforms to federal law by allowing taxpayers to rollover amounts from a QTP to a Roth Individual Retirement Account (IRA), as specified, without tax or penalty. Specifically, **this bill**:

1) Allows, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, a deduction equal to the "monetary contribution" made by a "qualified taxpayer" during the taxable year to one or more accounts established pursuant to the Golden State ScholarShare Trust Act on behalf of a beneficiary, not to exceed the following:

   a) $10,000 per taxable year for taxpayers who are a head of household, surviving spouse, or married couple filing a joint return; or,

   b) $5,000 per taxable year for single filers.

2) Defines the following terms:

   a) "Qualified taxpayer" means an individual, or a married couple if filing a joint return, who, on behalf of a beneficiary, contributes money to a California QTP for which the individual, or a spouse in the case of a married couple filing a joint return, is the account owner, and whose adjusted gross income (AGI) does not exceed the following:

      i) $200,000 for taxpayers who are a head of household, surviving spouse, or a married couple filing a joint return; and,

      ii) $100,000 for single filers.

   b) "California qualified tuition program" means a QTP, as defined in Internal Revenue Code (IRC) Section 529, and as established pursuant to the Golden State ScholarShare Trust Act.

   c) "Monetary contribution" means a cash contribution, as defined by IRC Section 529, to the California QTP, but excludes both of the following:

i) Amounts transferred to a California QTP from a QTP that is not a California QTP; and,

ii) Amounts transferred from the credit of one beneficiary under the California QTP to the credit of another beneficiary under the California QTP.

3) Requires, in the case of any distribution in excess of qualified higher education expenses, the aggregate amount of the deduction allowed that reduced the qualified taxpayer's gross income in any taxable year to be added to the gross income of the qualified taxpayer in the taxable year of the distribution. This provision does not apply to amounts transferred within 60 days to another California QTP.

4) Finds and declares the following for the purposes of satisfying the requirements of Revenue and Taxation Code (R&TC) Section 41 for the QTP deduction:

a) The specific goals, purposes, and objectives of the deduction are both of the following:

i) To provide an incentive to motivate California families to open and contribute to a ScholarShare account for the purposes of saving for future college expenses, thereby encouraging more Californians to pursue a postsecondary education and reducing the amount of student loan debt they may accumulate upon graduation; and,

ii) To reduce the amount of student loan debt on a dollar-for-dollar basis, thereby increasing a person's ability to purchase a home, car, or other products that help stimulate economic activity.

b) To measure whether this bill achieves its intended purpose, the performance indicators are the following:

i) The number of taxpayers allowed a deduction;

ii) The total dollar amount of deductions allowed; and,

iii) The number of new ScholarShare accounts opened during a calendar year in which the deduction allowed by this bill is in effect.

c) Requires the ScholarShare Investment Board to do the following:

i) Collect data on the total amount of contributions made to ScholarShare accounts no later than March 1 of each calendar year that the deduction may be claimed on a tax return;

ii) Survey new and existing ScholarShare account owners to collect information about their motivation to open an account, make contributions, increase the frequency and amount of their contributions, and refer friends and family to the ScholarShare program;

iii) Deliver a report to the Legislature on or before July 1, 2028, and annually thereafter, including the information described above; and,

iv) Disclose the name and individual taxpayer identification number (ITIN) or social security number (SSN) of a ScholarShare QTP participant to the Franchise Tax Board (FTB).

5) Requires the FTB, upon receipt of the above information, to do the following:

   a) Provide the following information to the ScholarShare Investment Board for the most recent taxable year that the information is available, including the first and last name, date of birth, and the ITIN or SSN of the taxpayer:

      i) The total amount of deductions allowed;

      ii) The average dollar amount deducted; and,

      iii) The average income of taxpayers allowed a deduction.

   b) Return or destroy all information received from the ScholarShare Investment Board after completing the exchange of information.

6) Excludes from gross income, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, distributions ("rollovers") from QTPs that have been maintained for 15 years to a Roth IRA in conformity with IRC Section 529(c)(3)(E).

7) Finds and declares the following for the purposes of satisfying the requirements of R&TC Section 41 for the IRA rollover gross income exclusion:

   a) The specific goals, purposes, and objectives are to encourage additional savings for educational expenses and to conform to federal law to bring tax relief and ease return preparation for taxpayers who rollover funds pursuant to federal provisions; and,

   b) There is no available data to collect or report for the gross income exclusion.

8) Takes immediate effect as a tax levy.

EXISTING FEDERAL LAW:

1) Provides tax-exempt status to QTPs. Contributions to a QTP must be made in cash. Federal law does not impose a specific dollar limit on the amount of contributions, account balances, or prepaid tuition benefits relating to a qualified tuition account; however, the program is required to have adequate safeguards to prevent contributions in excess of amounts necessary to provide for the beneficiary's qualified higher education expenses. Contributions are not tax-deductible for federal income tax purposes, but amounts earned in the account accumulate on a tax-free basis. (IRC Section 529.)

2) Provides that distributions from a QTP are excludable from federal tax if used for the beneficiary's qualified higher education expenses. If a distribution from a QTP exceeds the qualified higher education expenses incurred for the beneficiary, the portion of the excess that is treated as earnings is generally subject to income tax and an additional 10% tax. (IRC Section 529(c)(1).)

3) Allows a taxpayer to rollover amounts from a QTP to another QTP for the same beneficiary or for a member of the family of that beneficiary without penalty. (IRC Section 529(c)(3)(C).)

4) Allows a taxpayer to rollover amounts from a QTP that has been maintained for at least 15 years to a Roth IRA for the same beneficiary without penalty, provided that the roll over does not exceed the aggregate amount contributed and earnings to the QTP more than five years before the distribution. These roll overs are subject to a lifetime limit of $35,000 for the beneficiary. (IRC Section 529(c)(3)(E).)

EXISTING STATE LAW:

1) Conforms, with modifications, to IRC Section 529 as of January 1, 2025, as it relates to tax-exempt QTPs. California modifies the additional 10% tax on excess distributions to be an additional tax of 2.5% for state purposes. Similar to federal law, state law provides that contributions made to a QTP are not deductible. (R&TC Sections 17140, 17140.3)

2) Does not conform to IRC Section 529(c)(3)(E) relating to special rollovers to Roth IRAs from long-term QTPs.

3) Establishes the ScholarShare Investment Board, which is chaired by the State Treasurer. (Education Code Section 69980 *et seq*.)

4) Establishes the CalKIDS savings program, which is available to all California children born on or after July 1, 2022. (Education Code Section 69996 *et seq*.)

FISCAL EFFECT: The FTB estimates General Fund revenue losses of $28 million in fiscal year (FY) 2026-27, $17.5 million in FY 2027-28, and $19.3 million in FY 2028-29.

COMMENTS:

1) The author has provided the following statement in support of this bill:

    College is increasingly expensive, and too many California families struggle to save enough to help their children pursue higher education without taking on significant debt. AB 2444 encourages families to plan and save early by strengthening incentives to contribute to ScholarShare 529 college savings accounts. By aligning California tax law with federal law and providing a state tax deduction for contributions, this bill gives families greater flexibility and confidence when saving for education. Helping families save today means fewer students burdened with debt tomorrow and more Californians able to pursue the opportunities that higher education provides.

2) This bill is sponsored by California State Treasurer Fiona Ma, who notes, in part:

    AB 2444 is fundamentally an equity bill. It is designed to expand access to tax-advantaged savings tools for families who have historically been excluded from them, not to provide disproportionate benefits to those who already have wealth. Equity is not achieved by withholding opportunity; it is achieved by extending access. AB 2444 does exactly that by : (1) lowering the barrier to entry for first-time savers; (2) providing meaningful incentives for working families; (3) creating pathways for foster youth and vulnerable populations to build assets; and (4) ensuring savings can adapt to real-life outcomes.

3) This bill is supported by the California Child Savings Account Coalition, which notes, in part:

   AB 2444 complements California's efforts to uplift financial literacy education and the new CalKIDS Program, which offers a scholarship to newborns and low-income students. Families from CalKIDS are encouraged to save through ScholarShare 529 as part of the program. A ScholarShare 529 tax deduction will improve participation in CalKIDS by better fostering opportunities for low-income families to continue saving on their own. This bill is a smart and powerful opportunity to combat the student debt crisis and strengthen pathways for economic mobility by empowering families to build positive savings through California's own college savings plan.

4) The Securities Industry and Financial Markets Association (SIFMA), writing with the position of oppose unless amended, notes, in part:

   We strongly support language that would permit unused 529 plan funds to be rolled into a Roth IRA consistent with recent Internal Revenue Code changes. We oppose language that would create a state tax deduction for contributions to just the state sponsored 529 plan…. While we support incentivizing families to save, we strongly believe that any state tax deduction should apply to all qualified 529 plans and not just the California ScholarShare plan. There are many factors to consider when choosing the right 529 plan, including investor risk tolerance, the fees charged, past performance, and other considerations. Restricting the deduction to just the state sponsored plan prioritizes the deduction over which 529 plan best suits the saver's overall needs.

5) Committee Staff Comments:

   a) *What problem does this bill seek to address*? The cost of attending college has risen steadily over time, and families now spend an average of about $30,837 per year on college expenses, including tuition, housing, and related costs.[1] Even with financial aid, many students must rely on borrowing. Nationally, the average student borrower carries approximately $38,000 in student loan debt, and total student loan debt in the United States exceeds $1.6 trillion, making it one of the largest forms of consumer debt.[2] A number of states incentivize contributions to QTPs through tax deductions, with maximum amounts or percentages, as applicable, displayed by the map on the following page:[3]

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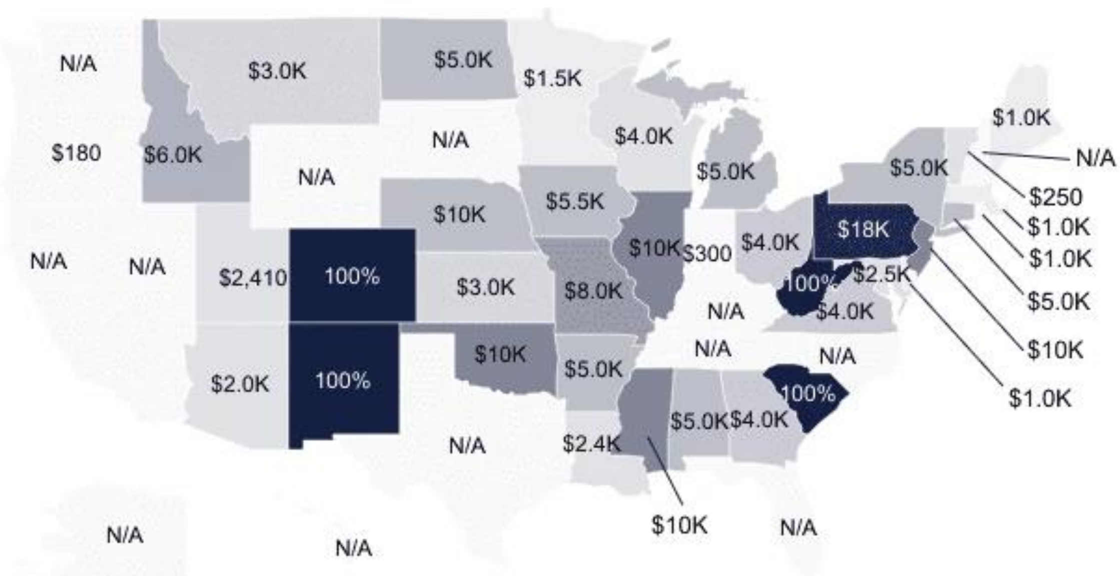
[1] *How America Pays for College 2025*, Sallie Mae. https://www.salliemae.com/about/leading-research/how-america-pays-for-college/.
[2] Hanson, *Average Cost of College & Tuition*, EducationData.org (February 14, 2026). https://educationdata.org/average-cost-of-college.
[3] Hanson, *529 Tax Deductions by State*, EducationData.org (last updated November 23, 2024). https://educationdata.org/529-tax-deductions-by-state.

529 Tax Deduction Amounts by State



b) *Increasing access to long-term savings*: Researchers in Illinois have found that education savings account participation is concentrated among higher income and more educated families. Further, they found that financial literacy gaps and misperceptions about how much even modest savings could grow and pay for eligible expenses limited the effectiveness of college savings accounts as a tool to promote educational equity.[4] In California, though, every child born in California on or after July 1, 2022 is automatically entitled to an education savings account through the CalKIDS program regardless of their family income or other factors. Each account for children born on or after July 1, 2023 starts with an initial balance of $100 and additional amounts are provided when the account is claimed and linked with a ScholarShare account.

According to the 2025 CalKIDS Annual Report, CalKIDS has become the largest children's development account initiative in the nation, opening more than 5.1 million accounts and delivering over $2.16 billion in state-funded deposits to California children and students.[5] More than 628,000 accounts have been claimed, with over $53 million already distributed to help students pay for college and career training. Since CalKIDS launched, 95% of linked ScholarShare 529 Accounts are newly created and balances in these accounts are growing, averaging $4,538 per family.

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[4] Briscese, List, and Lin, *Navigating the College Affordability Crisis: Insights from College Savings Accounts*, University of Chicago Becker Friedman Institute for Economics (September 4, 2025). https://bfi.uchicago.edu/insights/navigating-the-college-affordability-crisis-insights-from-college-savings-accounts.

[5] *California Kids Investment and Development Savings Program (CalKIDS) 2025 Annual Report*, ScholarShare Investment Board (September 30, 2025). https://www.treasurer.ca.gov/scholarshare/publications/2025/25KIDS005-CalKIDS-Annual-Report-092925v2.pdf.

c) *ScholarShare 529 vs other 529 education savings plans:* QTPs (or "529 plans") are tax-advantaged savings plans designed to encourage saving for future education costs. The person who opens the QTP account is called the "account holder" or the "saver" (often parents or grandparents). The person the account is opened for is called the "beneficiary" or the "student". The account holder and the beneficiary can be the same person. Education savings plans are flexible – they usually do not have residency requirements, offer different kinds of investment options, and can generally be used at any college or university for tuition, mandatory fees, and room and board.

QTPs are sponsored by states, state agencies, or educational institutions and take one of two forms: prepaid tuition plans or education savings plans. All 50 states and the District of Columbia sponsor at least one type of 529 plan. QTPs can be established directly by individuals ("direct-sold") or through licensed financial advisors ("advisor-sold").[6] Direct-sold 529 plans typically have lower fees and fewer investment options compared to actively managed plans. Advisor-sold 529 plans managed by a broker or financial advisor are still offered through a state-sponsored QTP. ScholarShare is California's state-sponsored 529 QTP and is administered by the ScholarShare Investment Board.

A saver may typically choose among a range of investment options, which often include various mutual fund and exchange-traded fund (ETF) investments and a principal-protected bank product. QTPs may also include static fund portfolios and age-based portfolios (sometimes called target-date portfolios), which include a combination of different types of ETFs and/or mutual funds and are designed to help diversify risk in the account.[6] State governments do not guarantee investments in education savings plans. QTP investments in mutual funds and ETFs are not federally guaranteed, but investments in some principal-protected bank products may be insured by the FDIC. As with most investments, it is possible to lose money with a QTP, but it depends on the account holder's appetite for risk.

d) *What would this bill do*? This bill would allow, beginning January 1, 2026, qualifying taxpayers to claim an "above-the-line" deduction for contributions made to a California ScholarShare Account. An "above-the-line" deduction allows a qualified taxpayer to reduce their adjusted gross income (AGI) and applies to taxpayers who claim either the standard deduction or itemize their deductions. In other words, this bill allows taxpayers with an AGI of less than $200,000 (or $100,000 for single filers) to reduce their taxable income by the amount they contribute to a ScholarShare plan in that year, up to $10,000 ($5,000 for single filers) annually.

Additionally, this bill would conform California law, for five years, to recent changes in federal law that allow rollovers from a long-term QTP to a Roth IRA. In other words, this bill would allow the transfer from a beneficiary's QTP to that same beneficiary's Roth IRA without incurring penalties or the transferred amounts being included in their gross

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[6] *An Introduction to 529 Plans*, U.S. Securities & Exchange Commission (SEC) Office of Investor Education & Advocacy (January 28, 2026). https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/introduction-529-plans-investor-bulletin.

income for state tax purposes. The rolled over amount cannot exceed the aggregate amount contributed and earnings to the QTP more than five years before the distribution and is subject to a $35,000 lifetime limit for each beneficiary.

e) *Who would benefit from this bill*? This bill would benefit taxpayers whose income does not exceed the AGI limits prescribed by this bill and who want to save for qualified education expenses on behalf of someone else, such as a child or other relative. Additionally, this bill would benefit taxpayers and beneficiaries who rollover amounts from a QTP to a Roth IRA. Under existing law, California taxpayers that utilize the federal Roth IRA rollover provision have the rolled over amount included in their taxable income and are subject to a 2.5% premature distribution penalty.

f) *Deductions and income limitations*: A deduction is generally more valuable to higher income taxpayers because the "value" of a deduction varies with the marginal tax rate (or tax bracket) of the taxpayer. For example, an individual taxpayer in a 10% tax bracket would receive a tax benefit of $10 on a $100 deduction. In contrast, a taxpayer in a 25% tax bracket would save $25 in taxes for every $100 deducted from gross income. Thus, assuming the same level of above-the-line deductions, higher income taxpayers, presumably with a greater ability to pay taxes, receive a greater tax benefit from such deductions than lower income taxpayers.

   Higher income taxpayers also have a greater ability to save and pay for higher education expenses. This Committee's analyses of prior versions of this bill have noted that irrespective of tax incentives, it may be challenging to encourage families to save for college when they have little or no disposable income after meeting their basic needs. According to the United Ways of California's Real Cost Measure, which estimates the costs of meeting basic household needs and considers regional factors like housing markets, a typical household of two adults, one school-aged child, and one pre-schooler spends roughly $134,000 annually in the Bay Area, $120,000 annually in the Greater Los Angeles region, and $100,000 annually in the Greater Sacramento regions.[7]

   By limiting this deduction to taxpayers whose AGI does not exceed $200,000 for joint filers and $10,000 for single filers, this bill prioritizes taxpayers at the lower end of the income scale who likely will struggle to afford the cost of higher education. However, these taxpayers may not have the financial resources to save substantial amounts, even with the incentive of receiving a deduction. On the other hand, if the income thresholds were increased, a greater proportion of the benefits would likely accrue to higher income taxpayers because the value of the deduction increases with one's income and corresponding tax liability.

g) *QTP Rollovers*: If the beneficiary of a QTP cannot or does not plan to use the funds saved for them for qualified higher education expenses, there are several ways to avoid the improper distribution penalty (10% federal and 2.5% state of the improperly distributed amount). First, the amounts in a QTP can be rolled over to a QTP for that beneficiary's immediate family member. Second, these funds can be transferred to either their own or a family member's ABLE account, which is a tax-advantaged savings

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[7] T*he Real Cost Measure in California*, United Ways of California. https://unitedwaysca.org/realcost/ (accessed March 27, 2026).

vehicle for individuals with disabilities that are not counted for purposes of asset-tested benefits programs.

Additionally, starting in 2023, a beneficiary of a QTP that has been maintained for at least 15 years and had annual contributions that did not exceed the corresponding Roth IRA annual contribution limit, can transfer up to $35,000 in their lifetime from that QTP to their Roth IRA. Proponents argue that this flexibility is crucial for parents and their children who saved money in a QTP but it was never used because the child did not pursue a traditional higher education or otherwise use the funds for qualifying expenses.

Under current law, California taxpayers that rollover amounts from a QTP to a Roth IRA pursuant to the federal provision described above would have those amounts included in their gross income for state tax purposes and be subject to a penalty of 2.5% of those amounts. By conforming California law to this federal provision, this bill would provide greater flexibility to savers, reduce burdens in filing and compliance, and prevent surprises among taxpayers who were unaware of the state-level consequences associated with QTP-Roth IRA rollovers.

h) *Multiple tax benefits*: Under existing law, beneficiaries of a QTP receive the tax benefits of having their earnings on the contributions grow tax-free and not be counted as income if they are spent on qualified educational expenses, which are often described as "back-end" tax benefits. This bill would also provide a "front-end" tax benefit by allowing taxpayers to receive an immediate tax break in the form of deductions equal to their contribution. This Committee may wish to consider the merits of providing multiple tax benefits meant to encourage savings when those forgone revenues could be spent directly on public education of all levels.

i) *Sharing taxpayer information*: As currently drafted, this bill would require the FTB, upon request and following receipt of specified information provided by the Scholarshare Investment Board, to provide confidential taxpayer information to the Scholarshare Investment Board. If the author's intent is for FTB to provide the total amount of deductions allowed, the average dollar amount of the deduction, and the average income of all taxpayers allowed the deduction to be based on aggregated data of applicable taxpayers, it is recommended that the bill be amended to remove the requirement that the FTB provide personally identifiable information.

j) *Committee's tax expenditure policy*: This bill complies with R&TC Section 41 because it outlines specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives.

In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals have an appropriate sunset provision to be eligible for a vote. Sunsets are required because eliminating a tax expenditure generally requires a two-thirds vote. According to this policy, an "appropriate sunset provision" means five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" means ten years.

This bill complies with the Committee's policy on sunset dates and R&TC Section 41.

k) *Related legislation*:

i) SB 529 (Choi) would have provided a deduction similar to the deduction proposed by this bill. SB 529 failed passage in the Senate Committee on Revenue and Taxation.

ii) SB 657 (Niello) would have conformed California law to the QTP to Roth IRA rollover provision contained in federal law. SB 657 was held on the Senate Appropriations Committee's Suspense File.

l) *Prior legislation*:

i) AB 1026 (Ta), of the 2023-24 Legislative Session, provided a deduction similar to the deduction proposed by this bill. AB 1026 was held on this Committee's Suspense File.

ii) AB 1589 (Connolly), of the 2023-24 Legislative Session, was substantially similar to AB 1026. AB 1589 was held on this Committee's Suspense File.

iii) AB 2524 (Ward), of the 2023-24 Legislative Session, was substantially similar to SB 657. AB 2524 was held on the Assembly Appropriations Committee's Suspense File.

iv) AB 629 (Wallis), of the 2023-24 Legislative Session, was substantially similar to SB 657. AB 629 was held on the Assembly Appropriations Committee's Suspense File.

v) AB 340 (Ward), Chapter 557, Statutes of 2021, conformed the existing Golden State ScholarShare Trust for college savings to the federal QTP definition of qualified higher education expenses by adding apprenticeship program expenses, and principal and interest of qualified education loan expenses.

vi) AB 211 (Calderon), of the 2019-20 Legislative Session, would have provided a similar deduction as this bill and was vetoed. The Governor's veto message stated in part: "While I appreciate the Legislature's intent, a careful balancing of the benefits of the proposed tax deduction in relation to the revenue losses, approximately $13 million, would be better addressed through the annual budget process."

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of School Counselors
California Child Savings Account Coalition
California State Treasurer
California Taxpayers Association
Early Wealth Partnership
John Burton Advocates for Youth
TIAA Tuition Financing, Inc.
UCLA CalKids Institute

Oppose Unless Amended

Securities Industry and Financial Markets Association

Oppose

California Teachers Association
California Tax Reform Association

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