

Date of Hearing: April 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 1076 (Addis) – As Amended March 28, 2025

2/3 vote. Fiscal committee.

**SUBJECT:** Qualified ABLE Program: CalABLE accounts: funding

**SUMMARY:** Authorizes the California Achieving a Better Life Experience (ABLE) Act Board (ABLE Act Board) to accept grants, gifts, and other moneys from a philanthropic entity. Specifically, **this bill:**

- 1) Specifies that the ABLE Act Board may accept legislative appropriations.
- 2) Authorizes the ABLE Act Board to delegate, to the extent permitted under federal law, specific amounts of grants, gifts, legislative appropriations, or other moneys into the administrative fund or the program fund at its discretion.
- 3) Authorizes the ABLE Act Board to target specific subgroups of eligible individuals provided that they are not limited in such a way that would conflict with the intent of the Legislature in establishing the program or other applicable law.
- 4) Provides that grants, gifts, legislative appropriations, and other moneys may be used, to the extent permitted under federal law, to encourage eligible individuals to create an account or maximize account use, including financial incentives deposited into accounts and efforts to raise awareness about the program. The ABLE Act Board may partner with other public, private, or nonprofit entities to facilitate or administer such moneys.
- 5) Authorizes the ABLE Act Board to adopt eligibility criteria for individuals to receive financial incentives in accordance with this bill. Eligibility criteria may include, without limitation:
  - a) Opening a new account;
  - b) Depositing money into an account;
  - c) Establishing a reoccurring deposit;
  - d) Participating in financial literacy or other education opportunities; or,
  - e) Being a state resident.
- 6) Specifies that financial incentives shall be provided directly to the designated beneficiary or their authorized legal representative that meets the eligibility criteria, as determined by the ABLE Act Board.

- 7) Provides that the amount of any financial incentives shall be at the discretion of the ABLE Act Board. Specific financial incentive amounts shall be communicated to the public and shall be applied equally to the designated beneficiaries identified as eligible for each specific financial incentive opportunity. Information, including eligibility and actions needed to earn financial incentives, shall be posted on the program internet website.
- 8) Requires the Franchise Tax Board (FTB) to include, on a taxpayer's form instructions for filing a return, information on the ability of a taxpayer to directly deposit a portion of their refund into the California ABLE Program Trust.
- 9) Requires the California ABLE Act Board to provide the FTB with a description, no longer than five lines in length, of the California ABLE Program Trust on or before a specified date provided by the FTB.

**EXISTING FEDERAL LAW** enacts the Stephen Beck, Jr., ABLE Act of 2014 (ABLE Act), which helps individuals and families save private funds to support eligible individuals with disabilities, as specified, by excluding from gross income distributions used for qualified disability expenses by a beneficiary of a qualified ABLE program established and maintained by a state. (Internal Revenue Code Section 529A.)

**EXISTING STATE LAW:**

- 1) Establishes the Qualified ABLE Program to implement the federal ABLE Act in this state, and creates the California ABLE Program Trust with the purposes, powers, and duties of the trust to be vested in and exercised by the California ABLE Act Board. (Welfare and Institutions Code (W&IC) Section 4877.)
- 2) Requires the California ABLE Act Board to segregate the moneys coming into the ABLE Program Trust into the following two funds:
  - a) The program fund, which is continuously appropriated for specified purposes of the act; and,
  - b) The administrative fund, which is available upon appropriation by the Legislature for administration of the act. (W&IC Section 4878.)
- 3) Requires all moneys paid by designated beneficiaries or eligible individuals in connection with ABLE accounts to be deposited, as received, into the program fund, promptly invested, and accounted for separately. (*Id.*)
- 4) Requires the FTB to include, on a taxpayer's form instructions for filing a return, information about the ability of a taxpayer to directly deposit a portion of their refund into the Golden State Scholarshare College Savings Trust, as specified. (Revenue and Taxation Code (R&TC) Section 19304.)

**FISCAL EFFECT:** According to the FTB, this bill would not impact state income or franchise tax revenue.

**COMMENTS:**

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

AB 1076 strengthens financial security for people with disabilities by expanding contribution options and increasing awareness of CalABLE. By breaking down barriers to savings and support, we're empowering individuals to plan for their futures without fear of losing essential benefits.

- 2) This bill is sponsored by State Treasurer Fiona Ma, who notes the following:

To better support the disability community and improve CalABLE's outreach capabilities, AB 1076 allows CalABLE to solicit philanthropic support and use donated funds for marketing and seed funding. This clarified authority will provide a way for CalABLE to bridge the information gap while also helping prospective account holders to start saving. In addition, AB 1076 would share information about CalABLE in state tax returns to increase awareness, following a similar model currently used by Scholarshare529 college savings plan.

- 3) This bill is supported by California Advocates for Nursing Home Reform (CANHR), which notes the following:

For over 40 years, CANHR has been advocating for the rights of California's seniors and dependent adults. One of the key issues we've encountered is the risk of low-income adults with disabilities losing their government benefits, like Medi-Cal and Supplemental Security Income (SSI), after receiving funds from personal injury settlements or inheritances. These benefits are crucial lifelines for these individuals, and we must do everything we can to preserve them.

One effective solution is CalABLE, a tax-advantaged savings and investment program for low-income people with disabilities. This program provides a straightforward and cost-effective way for individuals with disabilities to manage their funds while preserving their government benefits. AB 1076 has the potential to significantly improve the lives of individuals with disabilities by increasing funding opportunities, promoting account usage, and enhancing accessibility.

- 4) Committee Staff Comments:

- a) *The federal ABLE Act:* The federal ABLE Act authorizes eligible individuals to open an account in an ABLE program to help pay for the qualified disability expenses of a designated beneficiary. To qualify, the eligible individual must be disabled or blind, with the onset of disability or blindness occurring before the individual attains age 26 (or age 46 for tax years beginning after 2025).

Any person may make a nondeductible contribution to an ABLE account for the benefit of a designated beneficiary. Contributions must be in cash and the aggregate amount of contributions from all sources for the tax year cannot exceed the annual gift tax exclusion amount for the year (e.g., \$19,000 for 2025). For tax years beginning before January 1, 2026, specified beneficiaries may make additional contributions to the account up to the lesser of their compensation includible in gross income, or the federal poverty line for a

one-person household for the year. In addition, for tax years beginning before January 1, 2026, the retirement savings contribution credit can be claimed by a designated beneficiary for contributions to an ABLE account.

The cumulative balance in an ABLE account is disregarded for purposes of determining a designated beneficiary's eligibility for Supplemental Security Income (SSI) benefits and certain other means-tested programs. Distributions from an ABLE account are excluded from gross income to the extent they do not exceed the qualified disability expenses of the beneficiary. Qualified disability expenses, in turn, include expenses for education, housing, transportation, employment training, health, financial management, legal fees, and funeral and burial expenses.

- b) *What would this bill do?* This bill contains a number of provisions designed to buttress the ABLE Act Board's administration of the state's ABLE Act program. First, this bill explicitly authorizes the ABLE Act Board to accept both legislative appropriations and moneys from a philanthropic entity. Second, this bill authorizes the ABLE Act Board to delegate, at its discretion, specific amounts of grants, gifts, legislative appropriations, or other moneys into either the act's administrative fund or the program fund. Third, this bill provides that grants, gifts, legislative appropriations, and other moneys may be used to encourage eligible individuals to create an account or maximize account use, including via financial incentives deposited into accounts and efforts to raise awareness about the program. Finally, this bill requires the FTB to include, on a taxpayer's form instructions for filing a return, information on the ability of the taxpayer to deposit a portion of their refund directly into the California ABLE Program Trust. To that end, the author's office notes:

CalABLE accounts can be contributed to through personal contributions, Social Security Administration (SSA) direct deposits, payroll direct deposits, or deposited gifts from family and friends. However, existing law is unclear as to how the CalABLE Act Board can receive and use grants, gifts, appropriations, or other funds from philanthropic entities and does not explicitly allow for legislative appropriations. This bill seeks to remedy the limitation in existing law that prevents organizations and companies from contributing to CalABLE accounts, thereby expanding financial support options for individuals with disabilities without jeopardizing their benefits.

- c) *A question of discretion:* As noted above, this bill authorizes the ABLE Act Board to delegate, to the extent permitted by federal law, specific amounts of grants, gifts, legislative appropriations, or other moneys into either the program's administrative fund or program fund. The ABLE Act Board appears to have complete discretion concerning this allocation. As such, the board could decide that a certain grant should exclusively promote administrative costs associated with education campaigns designed to promote the program. Another grant could ostensibly be used exclusively to seed new accounts in the program itself. However, if a legislative appropriation were made to the program for a specific purpose, would the ABLE Act Board still have discretion to use the moneys as they see fit? Would the ABLE Act Board be required to use the funds as specified in a particular philanthropic bequest?

- d) *Related legislation:* AB 984 (Nguyen) would allow an above-the-line deduction for contributions made to a California ABLE Act account. AB 984 is currently pending on this Committee's Suspense File.

**REGISTERED SUPPORT / OPPOSITION:****Support**

State Treasurer Fiona Ma (Sponsor)  
California Advocates for Nursing Home Reform

**Opposition**

None on file

**Analysis Prepared by:** M. David Ruff / REV. & TAX. / (916) 319-2098