



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

REVISED
FACT SHEET FOR S.B. 1135

income tax subtraction; 529 contributions

Purpose

Applies the Arizona adjusted gross income subtraction for college savings plan contributions authorized by section 529 of the Internal Revenue Code (529 Plan) to the contributions made on behalf of each beneficiary.

Background

Individual income tax is levied on Arizona residents' taxable income and uses a graduated rate structure, based on the taxpayer's income level. Current statute authorizes various amounts to be added or subtracted when computing an individual's Arizona adjusted gross income. Subtractions include the amount contributed to a 529 Plan during the taxable year to the extent that the contributions were not deducted in the computation of a taxpayer's Federal adjusted gross income. The amount subtracted may not exceed \$2,000 for a single individual or a head of household (HOH) or \$4,000 for a married couple filing jointly ([A.R.S. § 43-1022](#)).

The Joint Legislative Budget Committee fiscal note estimates that S.B. 1135 will have minimal impact on state General Fund revenue beginning in FY 2022 ([JLBC Fiscal Note](#)).

Provisions

1. Allows 529 Plan contributions made on behalf of a designated beneficiary to be subtracted from an individual's Arizona adjusted gross income in the following amounts:
 - a) \$2,000 per beneficiary, rather than only \$2,000, for an individual or a HOH; or
 - b) \$4,000 per beneficiary, rather than only \$4,000, for a married couple filing jointly.
2. Makes technical changes.
3. Becomes effective on the general effective date, retroactive to taxable years beginning January 1, 2021.

Revisions

- Updates the fiscal impact statement.

Senate Action

FIN 1/27/21 DP 8-2-0

Prepared by Senate Research
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MG/gs