



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

AMENDED

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 (IRC) to the contributions made on behalf of each beneficiary. Allows Achieving a Better Life Experience (ABLE) account contributions authorized by section 529A of the IRC made on behalf of a designated beneficiary to be subtracted from an individual's Arizona adjusted gross income in specified amounts.

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 college savings plan authorized by section 529 of the IRC (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 on S.B. 1135 without amendments was estimated to have minimal impact on state General Fund revenue beginning in FY 2022. Due to the addition of a separate income tax subtraction for 529A ABLE account contributions, the fiscal impact of S.B. 1135 in its current form is unknown ([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. Allows, for taxable years beginning January 1, 2021, ABLE account contributions authorized by section 529A of the IRC 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 for an individual or a head of household; or
 - b) \$4,000 per beneficiary for a married couple filing jointly.
3. Prohibits, in the case of a married couple filing separate returns, the total ABLE Account contribution subtraction from exceeding \$4,000 per beneficiary.
4. Makes technical changes.
5. Becomes effective on the general effective date, retroactive to taxable years beginning January 1, 2021.

Amendments Adopted by Committee of the Whole

1. Allows, for taxable years beginning January 1, 2021, ABLE account contributions authorized by section 529A of the IRC 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 for an individual or a head of household; or
 - b) \$4,000 per beneficiary for a married couple filing jointly.
2. Prohibits, in the case of a married couple filing separate returns, the total ABLE account contribution subtraction from exceeding \$4,000 per beneficiary.

Senate Action

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

Prepared by Senate Research

February 10, 2021

MG/g