

Date of Hearing: May 21, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 984 (Nguyen) – As Introduced February 20, 2025

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill allows, under the Personal Income Tax (PIT) law, an above-the-line deduction for contributions made to a California Achieving a Better Life Experience (CalABLE) account.

This bill allows the deduction for taxable years beginning on or after January 1, 2026, and before January 1, 2031. This bill declares the objective of this tax expenditure and requires the Franchise Tax Board (FTB) to report the amount of deductions allowed to the Legislature by January 1, 2031.

FISCAL EFFECT:

- 1) General Fund (GF) revenue loss of \$5.2 million in fiscal year (FY) 2025-26, \$11 million in FY 2026-27, and \$16 million in FY 2027-28. By decreasing PIT revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the revenue loss (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) Costs of an unknown, but likely absorbable, amount to the FTB to administer the deduction and provide the report.

COMMENTS:

- 1) **Purpose.** According to the author:

[AB] 984 is a vital step forward in providing greater financial opportunities for individuals with disabilities and their families. By allowing contributions to the CalABLE program to be tax-deductible, AB 984 ensures that more people can save for their future with the necessary resources and support. This bill reflects California's commitment to fostering inclusion and improving the quality of life for all its residents, especially those with disabilities.

This bill is sponsored by State Treasurer Fiona Ma and supported by groups representing individuals with disabilities.

- 2) **CalABLE Account.** Federal law authorizes each state to establish a program allowing individuals to contribute to an ABLE account to support "qualified disability expenses" of the account's designated beneficiary. After-tax contributions allow earnings to grow tax-deferred, and withdrawals, when used for qualified disability expenses, are federal and state

tax-free. Qualified disability expenses include any expenses related to the designated beneficiary's blindness or disability, including expenses for education, housing, transportation, employment training, assistive technology, health, financial management, and legal fees. ABLE accounts also enable eligible individuals to build savings without impacting their eligibility for means-tested public benefits, such as Medicaid/Medi-Cal.

Existing law provides that the aggregate amount of ABLE account contributions from all sources for the tax year may not exceed the annual gift tax exclusion amount for the year (e.g., \$19,000 for 2025). This bill provides an above-the-line deduction for contributions made to an ABLE account. As noted in the Assembly Revenue and Taxation Committee's analysis of this bill:

Most individuals who contribute to an ABLE account probably do so because of a desire to help a loved one who is living with a disability. In fact, it might be odd to have a complete stranger donate money to an ABLE account, even with an above-the-line deduction being made available. As such, it is unclear if this deduction would encourage people to give who are not already giving, although it is likely that individuals might contribute more than they would have because of the deduction. However, to the extent beneficiaries are already receiving the annual limitation of \$19,000 per year in contributions, this bill would be providing a windfall.

- 3) **Related Legislation.** AB 1076 (Addis) authorizes the California ABLE Act Board to provide eligible individuals with financial incentives to maximize CalABLE program participation. AB 1076 is pending on this committee's suspense file.
- 4) **Prior Legislation.** AB 416 (Fong), of the 2019-20 Legislative Session, was substantively similar to this bill. AB 416 was held on this committee's suspense file.

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