
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
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Consultant:	Summers		

QUALIFIED ABLE PROGRAM

Revises the definition of “good standing” under the accelerated remittance program exemption and authorizes CDTFA to reinstate a revoked exemption; conforms state law to recent changes to IRC 529A pertaining to increased contributions to an ABLE account.

Background

Sales and use tax (SUT). State law imposes the sales tax on every retailer selling tangible personal property in this state. Retailers must register with the California Department of Tax and Fee Administration (CDTFA) and remit sales tax amounts collected at sale to CDTFA. If the purchaser does not pay the sales tax to the retailer, the purchaser is liable for paying use tax to CDTFA. The use tax is imposed on any person consuming tangible personal property in the state and must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase. The use tax rate is the same as the sales tax rate.

The table below shows the incremental structure of the sales and use tax at its current statewide rate of 7.25%. Additionally, cities and counties may increase the sales and use tax rate up to 2% with voter approval for specific or general purposes pursuant to the California Constitution’s vote requirements.

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services
1.25%	Local (City/County) 1.00% City and County 0.25% County	City and county general operations. Dedicated to county transportation purposes
7.25%	Total Statewide Rate	

CDTFA collects sales taxes from retailers, deposits the state share in the General Fund, and then allocates the local share of the Bradley-Burns sales tax and any district tax to the appropriate jurisdiction.

Accelerated remittance program exemption. Normally, retailers remit sales tax to CDTFA. However, used-car dealers must generally remit applicable sales or use tax to the Department of Motor Vehicles (DMV) within 30 days of each sale (AB 85, Committee on Budget, 2020). This requirement seeks to reduce noncompliance with sales tax remission and is informally referred to as “the accelerated remittance program.”

To enhance CDTFA’s operational efficiency, SB 132 (Committee on Budget & Fiscal Review, 2025) authorizes the CDTFA, in consultation with DMV, to exempt from the accelerated remittance program any used car dealer that sold 1,000 or more vehicles at retail in the previous calendar year or in the current calendar year, provided that the dealer’s account is in good standing with CDTFA. SB 132 defines “good standing” as a dealer that has timely:

- Filed all required sales and use tax returns for the 12 quarterly reporting periods immediately preceding issuance of the exemption; and
- Remitted all payments applicable to those returns, including any required sales and use tax prepayments.

SB 132 also:

- Authorizes CDTFA to revoke the exemption after 30 days from the date CDTFA provides notice to the dealer that they are no longer in good standing or when vehicle sales have decreased to below 1,000 in a calendar year.
- Restricts CDTFA to look only to the 12 quarterly periods immediately preceding issuance of the exemption to determine good standing.
- Did not authorize CDTFA to reinstate a revoked exemption.

ABLE accounts. In 2014, Congress enacted the Stephen Beck Jr. Achieving a Better Life Experience (ABLE) Act (PL 113-295), which provides individuals with a way to contribute to tax-advantaged accounts as an alternative to Special Needs and Supplemental Needs Trusts. The individual must be entitled to Social Security Disability Insurance benefits or have a disability certificate on file with the Internal Revenue Service. States administer ABLE programs on behalf of the programs’ beneficiaries, who must be either blind or disabled before age 46.

ABLE accounts generally follow the same rules as IRC 529 education savings accounts. Individuals can make non-deductible cash contributions to an account on behalf of the beneficiary, and earnings can grow tax-free. ABLE account distributions are excluded from the beneficiary’s income if they’re used to pay for qualified medical services of the beneficiary and do not exceed the cost of the services. The Legislature authorized California ABLE (CalABLE) accounts in 2015 under the administration of the State Treasurer’s Office and conformed to the federal tax treatment of ABLE accounts as of January 1st, 2015 (AB 449, Irwin, and SB 324, Pavley, 2015). The CalABLE program opened to the public on December 18, 2018.

Since then, the Legislature has conformed several times to federal changes to ABLE accounts, including eliminating differences in qualification criteria, increasing contribution limits made by designated beneficiaries to up to the federal poverty level, and allowing taxpayers to roll over

IRC 529 plans to ABLÉ accounts, among other changes (AB 91, Burke, 2019). In 2022, the Legislature made clarifying changes to align CalABLE account definitions with federal law regarding ABLÉ accounts, among other changes (AB 2216, Irwin). In 2023, the Legislature enacted AB 339 (Irwin), conforming state law to changes made by the Consolidated Appropriations Act of 2023 that increased the age prior to which an individual's blindness or disability must have begun to qualify for the program from 26 to 46.

In 2025, Congress enacted H.R. 1, which enacted several changes to the ABLÉ program (Public Law 119-21, One Big Beautiful Bill Act, or "OBBBA"). In Section 70115 of H.R. 1, two changes were made to ABLÉ Accounts in IRC 529A. First, it amended the inflation-indexing cross-reference for contribution limits from 1997 to 1996, which would generally result in a higher annual contribution limit. Second, H.R. 1 made permanent the higher contribution limit for contributions made by designated beneficiaries, which would have expired in 2025. The state's current specified date of conformity in the RTC to the IRC is January 1, 2025 (SB 711, 2025, McNerney), so it does not conform to H.R. 1's changes to ABLÉ accounts.

CDTFA wants to revise the definition of "good standing" under the accelerated remittance program exemption and authorize CDTFA to reinstate a revoked exemption. The Treasurer's Office wants to conform state tax law to the H.R. 1 provisions that allow a beneficiary to make increased contributions to an ABLÉ account permanent.

Proposed Law

Senate Bill 1436 makes two changes:

- Revises the definition of "good standing" to look at the 12 quarterly reporting periods preceding reinstatement of the dealer's exemption to the accelerated remittance program; and allows CDTFA to reinstate a revoked exemption.
- Conforms state law to H.R. 1's change to inflation-indexing contribution limits in the Personal Income and Corporation Taxes and makes conforming changes to a provision in the Welfare and Institutions Code relating to ABLÉ accounts.

State Revenue Impact

According to the CDTFA, the accelerated remittance exemption provisions of SB 1436 will result in no fiscal impact; and, according to the Franchise Tax Board, the ABLÉ account provision of SB 1436 will result in a revenue loss of \$40,000 in fiscal year (FY) 2026-2027, \$20,000 in FY 2027-2028, and \$30,000 in FY 2028-2029.

Comments

1. **Purpose of the bill.** SB 1436 combines two noncontroversial provisions: one matter raised by CDTFA regarding the administration of exemptions to the accelerated remittance program, and one matter raised by the Treasurer's Office regarding ABLÉ account conformity with federal law. Moving individual proposals as separate bills, even if technical and noncontroversial, through the legislative process is less efficient than consolidating them into one measure. Committee staff distributed these proposals to affected parties for review before they were included in the bill. Should anyone object to an item in the bill, the Committee will remove said item.

2. Good standing. Under SB 132, once CDTFA grants the exemption, a follow-up good standing determination must still be based on the periods immediately preceding issuance of the exemption. Accordingly, a taxpayer that receives an exemption but later fails to comply with the requirement to timely file and remit all applicable payments may argue that they cannot be subject to revocation because they were in good standing during the period immediately preceding issuance of the exemption. This bill remedies this by revising the definition of “good standing” to mean that the dealer has timely filed and remitted applicable payments, including applicable prepayments, for all required sales and use tax returns for the most recent 12 quarterly reporting periods.
3. Reinstating a revoked exemption. SB 132 did not authorize CDTFA to reinstate a revoked exemption after a dealer returns to good standing or reaches 1,000 or more vehicle sales in a calendar year following the revocation. Since the exemption enhances administrative efficiency and reduces compliance burdens, allowing CDTFA to reinstate a revoked exemption once the conditions for exemption are met should better accomplish the program’s intent.
4. Conformity. For calendar year 2026, federal law authorizes individual contributions up to \$20,000 to an ABLE account in the name of a specified beneficiary, and the designated beneficiary may also make a contribution that exceeds that limit, subject to annual inflation indexing. State law does not generally automatically conform to changes in federal tax law. As a result, under current state law, for calendar year 2026, individual contributions would be limited to \$19,000, and beneficiaries would not be allowed to make higher contributions. The bill will conform the state personal and corporate income tax laws to H.R. 1’s recent changes to contribution limits for ABLE accounts. This bill also makes conforming changes to the Welfare and Institutions Code, removing the sunset date of the higher contribution rule.

Support and Opposition (4/16/26)

Support: California Taxpayers Association

Opposition: None received.

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