
CONSENT

Bill No: SB 1436
Author: Committee on Revenue and Taxation
Introduced: 3/11/26
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 4/22/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Qualified ABLE Program

SOURCE: California Department of Tax and Fee Administration; Office of the State Treasurer

DIGEST: This bill 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.

ANALYSIS:

Existing law:

- 1) Imposes the sales tax on every retailer “engaged in business in this state” that sells tangible personal property, and requires them to register with the California Department of Tax and Fee Administration (CDTFA), as well as remit taxes collected from purchasers to CDTFA.
- 2) Applies the sales tax whenever a retail sale occurs, which is generally any sale other than one for resale in the regular course of business.
- 3) Provides that unless the purchaser pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming tangible personal property in the state, and requires the purchaser to remit use tax to CDTFA.

- 4) Sets the state sales and use tax rate at 7.25% of the sales price of the property sold or used, of which 3.9375% flows to the state General Fund.
- 5) Requires used-car dealers to generally remit applicable sales or use tax to the Department of Motor Vehicles (DMV) within 30 days of each sale (also known as “the accelerated remittance program”) (AB 85, Committee on Budget, Chapter 8, Statutes of 2020).
- 6) Authorizes 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, Committee on Budget & Fiscal Review, Chapter 17, Statutes of 2025).
- 7) Defines “good standing” as a dealer that has timely:
 - a) Filed all required sales and use tax returns for the 12 quarterly reporting periods immediately preceding issuance of the exemption; and
 - b) Remitted all payments applicable to those returns, including any required sales and use tax prepayments.
- 8) 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.
- 9) Restricts CDTFA to look only to the 12 quarterly periods immediately preceding issuance of the exemption to determine good standing.
- 10) Does not authorize CDTFA to reinstate a revoked exemption.
- 11) Conforms to the federal tax treatment of Internal Revenue Code (IRC) 529, Achieving a Better Life Experience (ABLE), accounts as of January 1st, 2015 (AB 449, Irwin, Chapter 774, Statutes of 2015; and SB 324, Pavley, Chapter 793, Statutes of 2015).
- 12) Has conformed to subsequent changes in federal law, including:
 - a) 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 ABLE accounts (AB 91, Burke, Chapter 39, Statutes of 2019).

- b) Federal ABLE account definitions (AB 2216, Irwin, Chapter 896, Statutes of 2022).
 - c) Increases the age, from 26 to 46, at which an individual's blindness or disability must have begun to qualify for the program (AB 339, Irwin, Chapter 324, Statutes of 2023).
- 13) Has a specified date of conformity to the IRC of January 1, 2025.
- 14) Does not conform to changes to federal law made by H.R. 1 (Public Law 119-21, One Big Beautiful Bill Act), to the ABLE program.

This bill:

- 1) 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.
- 2) Allows CDTFA to reinstate a revoked exemption.
- 3) Conforms state law to H.R. 1's change to inflation-indexing contribution limits in the Personal Income and Corporation Taxes.
- 4) Makes conforming changes to a provision in the Welfare and Institutions Code relating to ABLE accounts.

Background

SB 132 clean-up. Under SB 132, once CDTFA grants an 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.

Further, 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.

ABLE Account 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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 5/4/2026)

California Taxpayers Association

OPPOSITION: (Verified 5/4/2026)

None received

ARGUMENTS IN SUPPORT: According to the California Taxpayers Association, "California takes a selective approach to conforming to federal tax changes one provision at a time, allowing lawmakers to evaluate each amendment for its fiscal impact, equity implications, and alignment with the state's economic priorities before deciding whether to adopt it. For the nation's most populous and economically diverse state, this tailored approach preserves the flexibility to support key industries, protect low-income taxpayers, and maintain a stable revenue base rather than importing federal rules that may not suit California's unique housing, labor, and environmental policies and the state's economic growth needs. ... SB 1436 [ensures] that California safeguards both its budget and its policy goals while giving taxpayers more consistency with federal rules."

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