



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1135

income tax subtraction; 529 contributions

Purpose

Applies the Arizona adjusted gross income subtraction for 529 college savings plan contributions 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 college savings 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](#)).

If allowing 529 college savings plan contributions to be subtracted from an individual's Arizona adjusted gross income for contributions made on behalf of each beneficiary results in a change to the aggregate income tax liability, there may be a fiscal impact to the state General Fund.

Provisions

1. Allows 529 college savings 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.

Prepared by Senate Research
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MG/gs