

REFERENCE TITLE: Arizona's education savings plan; revisions

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HB 2477

Introduced by
Representative Livingston

AN ACT

AMENDING SECTIONS 15-1871 AND 15-1875, ARIZONA REVISED STATUTES; RELATING
TO AZ529, ARIZONA'S EDUCATION SAVINGS PLAN.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1871, Arizona Revised Statutes, is amended to
3 read:

4 15-1871. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Account" means an individual trust account in the fund that is
7 established as prescribed in this article.

8 2. "Account owner" means the person who enters into a tuition
9 savings agreement pursuant to this article, who is an account owner within
10 the meaning of section 529 of the internal revenue code and who is
11 designated at the time an account is opened as having the right to
12 withdraw monies from the account before the account is disbursed to or for
13 the benefit of the designated beneficiary.

14 3. "Board" means the state board of investment.

15 4. "Designated beneficiary" means a person who qualifies as a
16 designated beneficiary under section 529 of the internal revenue code and,
17 except as provided in section 15-1875, subsections P and Q, with respect
18 to an account, who is designated at the time the account is opened as the
19 person whose qualified higher education expenses are expected to be paid
20 from the account or, if this designated beneficiary is replaced in
21 accordance with section 15-1875, subsections D, E and F, the replacement
22 beneficiary.

23 5. "Eligible educational institution" means an institution of
24 higher education that qualifies under section 529 of the internal revenue
25 code as an eligible educational institution.

26 6. "Financial institution" means the state treasurer's office or
27 any bank, commercial bank, national bank, savings bank, savings and loan
28 association, credit union, insurance company, brokerage firm or other
29 similar entity that is authorized to do business in this state.

30 7. "Fund" means AZ529, Arizona's education savings plan trust fund
31 that constitutes a public instrumentality of this state and that is
32 established by section 15-1873.

33 8. "Member of the family" ~~means any of the following:~~

34 ~~(a) A son or daughter of a person or a descendant of the son or~~
35 ~~daughter of the person.~~

36 ~~(b) A stepson or stepdaughter of a person.~~

37 ~~(c) A brother, sister, stepbrother or stepsister of a person. For~~
38 ~~the purposes of this subdivision, "brother" and "sister" includes a~~
39 ~~brother or sister by the half blood.~~

40 ~~(d) The father or mother of a person or the ancestor of the father~~
41 ~~or mother of a person.~~

42 ~~(e) A stepfather or stepmother of a person.~~

43 ~~(f) A son or daughter of a person's brother or sister. For the~~
44 ~~purposes of this subdivision, "brother" and "sister" includes a brother or~~
45 ~~sister by the half blood.~~

1 ~~(g) A brother or sister of the person's father or mother. For the~~
2 ~~purposes of this subdivision, "brother" and "sister" includes a brother or~~
3 ~~sister by the half-blood.~~

4 ~~(h) A son-in-law, daughter-in-law, father-in-law, mother-in-law,~~
5 ~~brother-in-law or sister-in-law of a person.~~

6 ~~(i) The spouse of a person or the spouse of any individual~~
7 ~~described in this paragraph.~~

8 ~~(j) A first cousin of a person.~~

9 ~~(k) Any individual who meets the criteria for family membership~~
10 ~~described in this paragraph as a result of legal adoption. HAS THE SAME~~
11 ~~MEANING PRESCRIBED IN SECTION 529 OF THE INTERNAL REVENUE CODE.~~

12 9. "Nonqualified withdrawal" means a withdrawal from an account
13 other than one of the following:

14 (a) A qualified withdrawal.

15 (b) A withdrawal made as the result of the death or disability of
16 the designated beneficiary of an account.

17 (c) A withdrawal that is made on the account of a scholarship, or
18 the allowance or payment described in section 135(d)(1)(B) or (C) of the
19 internal revenue code, and that is received by the designated beneficiary,
20 but only to the extent of the amount of this scholarship, allowance or
21 payment.

22 (d) A rollover or change of designated beneficiary.

23 10. "Person" means an individual, an individual's legal
24 representative or any other legal entity authorized to establish a savings
25 account under section 529 of the internal revenue code and the
26 corresponding regulations.

27 11. "Plan" means AZ529, Arizona's education savings plan that is
28 established under this article and that constitutes a qualified tuition
29 program as defined in section 529 of the internal revenue code.

30 12. "Qualified higher education expenses" ~~:-~~

31 ~~(a) Means:~~

32 ~~(i) Tuition, fees, books, supplies, room and board and equipment~~
33 ~~required for a designated beneficiary to enroll at or attend an eligible~~
34 ~~educational institution.~~

35 ~~(ii) Expenses for special needs services in the case of a special~~
36 ~~needs beneficiary that are incurred in connection with enrolling or~~
37 ~~attending, if these expenses meet the definition of qualified higher~~
38 ~~education expenses in section 529 of the internal revenue code.~~

39 ~~(iii) Expenses to purchase a computer, peripheral equipment,~~
40 ~~computer software or internet access and related services if the computer~~
41 ~~equipment, software or services are to be used primarily by the~~
42 ~~beneficiary during the years the beneficiary is enrolled at an eligible~~
43 ~~educational institution and if these expenses meet the definition of~~
44 ~~qualified higher education expenses in section 529 of the internal revenue~~
45 ~~code.~~

~~(iv) Expenses for fees, books, supplies and equipment required for a designated beneficiary to participate in an apprenticeship program that is registered and certified with the United States secretary of labor under section 1 of the national apprenticeship act (50 Stat. 664; 29 United States Code section 50) if these expenses meet the definition of qualified higher education expenses in section 529 of the internal revenue code.~~

~~(b) Includes tuition to enroll in or attend an elementary or secondary public, private or religious school pursuant to section 529 of the internal revenue code.~~

~~(c) Includes amounts paid as principal or interest on any qualified education loan as defined in section 221(d) of the internal revenue code of the designated beneficiary or a brother, sister, stepbrother or stepsister of the designated beneficiary pursuant to section 529 of the internal revenue code.~~ HAS THE SAME MEANING PRESCRIBED IN SECTION 529 OF THE INTERNAL REVENUE CODE, AS MODIFIED BY 26 UNITED STATES CODE SECTION 529(c)(7) AND (9).

13. "Qualified withdrawal" means a withdrawal from an account to pay any ~~of the following:~~

~~(a) the~~ qualified higher education expenses of the designated beneficiary of the account, but only if the withdrawal is made in accordance with this article, **SUBJECT TO THE FOLLOWING LIMITATIONS: -**

~~(b) (a) Tuition of less than \$10,000~~ **NOT MORE THAN \$20,000 IN THE AGGREGATE FOR EXPENSES INCURRED FOR THE DESIGNATED BENEFICIARY** to enroll in or attend an elementary or secondary public, private or religious school pursuant to section 529 of the internal revenue code ~~of the designated beneficiary of the account, but only if the withdrawal is made in accordance with this article.~~

~~(c) (b)~~ **NOT MORE THAN \$10,000 FOR** amounts paid as principal or interest on any qualified education loan as defined in section 221(d) of the internal revenue code of the designated beneficiary or a brother, sister, stepbrother or stepsister of the designated beneficiary, ~~but only if the withdrawal is made in accordance with this article. The amount of qualified withdrawals under this article with respect to the loans of any designated beneficiary or a brother, sister, stepbrother or stepsister of the designated beneficiary may not exceed \$10,000,~~ reduced by the amount of withdrawals so treated for all prior taxable years.

14. "Section 529 of the internal revenue code" means section 529 of the internal revenue code of 1986, as amended, and the final regulations issued pursuant to that section.

15. "Treasurer" means the state treasurer.

16. "Trust interest" means an account owner's interest in the fund created by a tuition savings agreement for the benefit of a designated beneficiary.

1 17. "Tuition savings agreement" means an agreement between the
2 board, as trustee of the fund, and an account owner that creates an
3 interest in the fund and that provides for participation in the plan.

4 Sec. 2. Section 15-1875, Arizona Revised Statutes, is amended to
5 read:

6 15-1875. Plan requirements

7 A. The plan shall be operated through the use of accounts in the
8 fund established by account owners. ACCOUNT OWNERS SHALL MAKE payments to
9 the fund ~~for participation~~ TO PARTICIPATE in the plan ~~shall be made by~~
10 ~~account owners~~ pursuant to tuition savings agreements. An account may be
11 opened by any person who desires to invest in the fund and to save to pay
12 qualified higher education expenses by satisfying each of the following
13 requirements:

14 1. Completing an application in the form prescribed by the
15 treasurer. The application shall include the following information:

16 ~~(a) The name, address and social security number or employer~~
17 ~~identification number of the contributor.~~

18 ~~(b)~~ (a) The name, address and social security number of the
19 account owner if the account owner is not the contributor.

20 ~~(c)~~ (b) The name, address and social security number of the
21 designated beneficiary.

22 ~~(d)~~ (c) The certification relating to no excess contributions
23 required by subsection L of this section.

24 ~~(e)~~ (d) Any other information that the treasurer may require.

25 2. Paying the onetime application fee established by the treasurer.

26 3. Making the minimum contribution required by the treasurer or by
27 opening an account.

28 4. Designating the type of account to be opened if more than one
29 type of account is offered.

30 B. Any person may make contributions to an account after the
31 account is opened.

32 C. Contributions to accounts may be made only in cash.

33 D. An account owner may change the designated beneficiary of an
34 account to an individual who is a member of the family of the former
35 designated beneficiary in accordance with procedures established by the
36 treasurer.

37 E. On the direction of an account owner, all or a portion of an
38 account may be transferred to another account of which the designated
39 beneficiary is a member of the family of the designated beneficiary of the
40 transferee account.

41 F. Changes in designated beneficiaries and rollovers under this
42 section are not allowed if the changes or rollovers would violate either
43 of the following:

44 1. Subsection L of this section, relating to excess contributions.

45 2. Subsection I of this section, relating to investment choice.

1 G. Each account shall be maintained separately from each other
2 account under the plan.

3 H. Separate records and accounting shall be maintained for each
4 account for each designated beneficiary.

5 I. A contributor to, account owner of or designated beneficiary of
6 any account may not direct the investment, within the meaning of section
7 529 of the internal revenue code, of any contributions to an account or
8 the earnings from the account.

9 J. If the treasurer terminates the authority of a financial
10 institution to hold accounts and accounts must be moved from that
11 financial institution to another financial institution, the treasurer
12 shall select the financial institution and type of investment to which the
13 balance of the account is moved unless the internal revenue service
14 provides guidance stating that allowing the account owner to select among
15 several financial institutions that are then contractors would not cause a
16 plan to cease to be a qualified tuition plan.

17 K. Neither an account owner nor a designated beneficiary may use an
18 interest in an account as security for a loan. Any pledge of an interest
19 in an account is of no force and effect.

20 L. On the recommendation of the treasurer, the board shall adopt
21 rules to prevent contributions on behalf of a designated beneficiary in
22 excess of those necessary to pay the qualified higher education expenses
23 of the designated beneficiaries. The rules shall address the following:

24 1. Procedures for aggregating the total balances of multiple
25 accounts established for a designated beneficiary.

26 2. The establishment of a maximum total balance for the purpose of
27 prohibiting contributions to accounts established for a designated
28 beneficiary if the contributions would cause the maximum total balance to
29 be exceeded.

30 3. The board shall review the quarterly reports received from
31 participating financial institutions and certify that the balance in all
32 qualified tuition programs, as defined in section 529 of the internal
33 revenue code, of which that person is the designated beneficiary does not
34 exceed the lesser of:

35 (a) A maximum college savings amount established by the board from
36 time to time.

37 (b) The cost in current dollars of qualified higher education
38 expenses that the contributor reasonably anticipates the designated
39 beneficiary will incur.

40 4. Requirements that any excess contributions with respect to a
41 designated beneficiary be promptly withdrawn in a nonqualified withdrawal
42 or rolled over to another account in accordance with this section.

43 M. If there is any distribution from an account to any person or
44 for the benefit of any person during a calendar year, the distribution

shall be reported to the internal revenue service and the account owner or the designated beneficiary to the extent required by federal law.

N. The financial institution shall provide statements to each account owner at least once each year within thirty-one days after the twelve-month period to which ~~they~~ THE STATEMENTS relate. ~~The~~ EACH statement shall identify the contributions made during a preceding twelve-month period, the total contributions made through the end of the period, the value of the account as of the end of this period, distributions made during this period and any other matters that the treasurer requires be reported to the account owner.

O. Statements and information returns relating to accounts shall be prepared and filed to the extent required by federal or state tax law.

P. A state or local government or organizations described in section 501(c)(3) of the internal revenue code may open and become the account owner of an account to fund scholarships for persons whose identity will be determined after an account is opened.

Q. In the case of any account described in subsection P of this section, the requirement that a designated beneficiary be designated when an account is opened does not apply and each person who receives an interest in the account as a scholarship shall be treated as a designated beneficiary with respect to the interest.

R. Any social security numbers, addresses or telephone numbers of individual account ~~holders~~ OWNERS and designated beneficiaries that come into the possession of the treasurer are confidential, are not public records and shall not be released by the treasurer.

S. An account owner may transfer ownership rights to another eligible account owner.

T. An account owner may designate successor account owners.

U. ~~Through December 31, 2025,~~ On direction of an account owner, ~~up to \$15,000~~ ALL OR A PORTION of an account may ~~roll over~~ BE TRANSFERRED to an achieving a better life experience act account established pursuant to 26 United States Code section 529A IF THE DESIGNATED BENEFICIARY OF THE ACCOUNT THAT IS ESTABLISHED PURSUANT TO THIS ARTICLE IS EITHER THE DESIGNATED BENEFICIARY OR A MEMBER OF THE FAMILY OF THE DESIGNATED BENEFICIARY OF THE TRANSFEREE ACCOUNT.

V. ON DIRECTION OF AN ACCOUNT OWNER, ALL OR A PORTION OF AN ACCOUNT MAY BE TRANSFERRED TO A ROTH INDIVIDUAL RETIREMENT ACCOUNT THAT SATISFIES THE REQUIREMENTS OF SECTION 408A OF THE INTERNAL REVENUE CODE IF ALL OF THE FOLLOWING CONDITIONS ARE MET:

1. THE ACCOUNT ESTABLISHED PURSUANT TO THIS ARTICLE IS MAINTAINED BY THE DESIGNATED BENEFICIARY FOR AT LEAST FIFTEEN YEARS BEFORE THE TRANSFER DATE.

2. THE MONIES THAT ARE TRANSFERRED PURSUANT TO THIS SUBSECTION ARE DERIVED FROM CONTRIBUTIONS THAT WERE MADE TO THE ACCOUNT ESTABLISHED

1 PURSUANT TO THIS SECTION AT LEAST FIVE YEARS BEFORE THE TRANSFER DATE AND
2 FROM THE EARNINGS ATTRIBUTABLE TO THOSE CONTRIBUTIONS.

3 3. THE DESIGNATED BENEFICIARY OF THE ACCOUNT THAT IS ESTABLISHED
4 PURSUANT TO THIS ARTICLE IS THE DESIGNATED BENEFICIARY OF THE ROTH
5 INDIVIDUAL RETIREMENT ACCOUNT TO WHICH THE TRANSFER IS MADE.

6 4. THE TOTAL AMOUNT OF MONIES TRANSFERRED PURSUANT TO THIS
7 SUBSECTION AND ALL OTHER CONTRIBUTIONS TO THE ROTH INDIVIDUAL RETIREMENT
8 ACCOUNT FOR THE DESIGNATED BENEFICIARY IN ANY YEAR DO NOT EXCEED THE
9 ANNUAL ROTH INDIVIDUAL RETIREMENT ACCOUNT CONTRIBUTION LIMIT FOR THE
10 DESIGNATED BENEFICIARY.

11 5. THE AGGREGATE AMOUNT OF MONIES TRANSFERRED FROM ANY ACCOUNT THAT
12 IS ESTABLISHED PURSUANT TO THIS ARTICLE TO ALL ROTH INDIVIDUAL RETIREMENT
13 ACCOUNTS FOR THE DESIGNATED BENEFICIARY DOES NOT EXCEED \$35,000.