

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.

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

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

(i) The spouse of a person or the spouse of any individual described in this paragraph;

(j) A first cousin of a person.

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

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

(a) A qualified withdrawal.

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

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

(d) A rollover or change of designated beneficiary.

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

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

12. "Qualified higher education expenses"

~~(a) Means:~~

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

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

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

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

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

11       (c) Includes amounts paid as principal or interest on any qualified  
12 education loan as defined in section 221(d) of the internal revenue code  
13 of the designated beneficiary or a brother, sister, stepbrother or  
14 stepsister of the designated beneficiary pursuant to section 529 of the  
15 internal revenue code. HAS THE SAME MEANING PRESCRIBED IN SECTION 529 OF  
16 THE INTERNAL REVENUE CODE, AS MODIFIED BY 26 UNITED STATES CODE SECTION  
17 529(c)(7) AND (9).

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

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

23       (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  
24 in or attend an elementary or secondary public, private or religious  
25 school pursuant to section 529 of the internal revenue code ~~of the~~ ~~designated beneficiary of the account, but only if the withdrawal is made~~  
26 ~~in accordance with this article.~~

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

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

39       15. "Treasurer" means the state treasurer.

40       16. "Trust interest" means an account owner's interest in the fund  
41 created by a tuition savings agreement for the benefit of a designated  
42 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

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

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

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

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

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

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

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

28 T. An account owner may designate successor account owners.

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

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

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

43 2. THE MONIES THAT ARE TRANSFERRED PURSUANT TO THIS SUBSECTION ARE  
44 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.