- American families currently enjoy tax incentives to save for significant future expenses such as college, retirement, and other life events. People with severe disabilities face significant challenges of their own, but they do not have an equivalent savings instrument to save for their future.

- The ABLE Act aims to provide families of a severely disabled child with some peace of mind by allowing them to save for their child's long-term disability expenses in the same way that families of able bodied children can currently save for college through popular 529 investment plans.

- The ABLE Act empowers disabled individuals and their families to save their own money in a 529A (or ABLE) account for the purpose of maintaining health and independence with a goal of allowing those individuals to transition away from government assistance and benefits.

- ABLE accounts would be a savings vehicle for disability-related expenses that will supplement, but not supplant, benefits provided through private insurances, the Medicaid program, the supplemental security income program, the beneficiary's employment, and other sources.

- 529A accounts would be administered on a voluntary basis by the States in a similar manner as 529 college savings accounts. Families would have a choice of investment options. As with 529 college savings accounts, the range of investment options available for ABLE accounts would be determined by the States.

- Eligibility for an ABLE account <u>cannot</u> be used to qualify for supplemental security income (SSI) or Medicaid.

<u>529A ABLE Accounts:</u>
- Allows for a 529A, or ABLE, account within Section 529 of the Internal Revenue Code of 1986
- ABLE accounts are easy to open and available in states that establish an ABLE program
- Contributions are in after-tax dollars but earnings would grow tax-free just like with 529 college savings accounts (Roth style). Withdrawals must be for qualified expenses, else the earnings portion would be subject to regular income tax and a 10% penalty (state penalties could also apply).

<u>Key differences of ABLE Accounts vs. 529 qualified tuition program:</u>
- **Age limit for qualification**: Individual must have been diagnosed with a qualified disability prior to age 26 to qualify for an ABLE account
- **One Account**: Qualified beneficiaries can have only ONE ABLE account
- **Annual contribution limit**: Total contributions cannot exceed the gift tax exclusion in a single year
- **Residency requirement**: Qualified individuals or their families must open ABLE account in the state in which the beneficiary resides or in a state that has a MOU with another state to provide accounts.
- **Reporting Requirements**: Requires Treasury to establish reporting requirements with respect to contributions, distributions, return of excess contributions. Requires trustee of account to notify Treasury upon the opening of an ABLE account. Requires plan administrators to submit monthly reports on distributions to the Social Security Administration.

<u>Qualified Disability Expenses:</u>
- Qualified disability expenses are any expenses made for the designated beneficiary related to their disability, including: education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, funeral and burial expenses.

<u>How to Qualify for an ABLE Account:</u>
- *Any individual who has been diagnosed with a disability before the age of 26 years old*, and who is receiving, deemed to be, or treated as receiving supplemental security income benefits or disability benefits under Title II of the Social Security Act.

  OR

- *Any individual who has been diagnosed with a disability before the age of 26 years old*, who has a medically determined physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 month or is blind, **and** provides a copy of their diagnosis signed by a physician.

Federal Treatment of ABLE Account under Supplemental Security Income Program:

- If the beneficiary is receiving Supplemental Security Income (SSI) benefits, when the assets in the account total $100,000, any monthly SSI benefits will be placed in suspension.
- If the assets in the ABLE account drop back below $100,000, the SSI benefit suspension ceases and any SSI benefit resumes.
- The beneficiary will not have to reapply for SSI benefits once the account drops back below the $100,000 threshold.

No Impact on Medicaid Eligibility:

- ABLE account beneficiaries do not lose Medicaid eligibility based on assets in their ABLE account or suspension of SSI benefits.

Medicaid Payback Provision:

- In the event the qualified beneficiary dies (or ceases to be an individual with a disability) with remaining assets in an ABLE account:
    - The assets in the ABLE Account are first distributed to any State Medicaid plan that provided medical assistance to the designated beneficiary
    - The amount of any such Medicaid payback is calculated based on amounts paid by Medicaid after the creation of the ABLE Account