



Achieving a Better Life Experience (ABLE)



The Federal ABLE Act

The Federal ABLE Act

- Signed by President Obama on December 19, 2014 (Public Law 113-295)
- Modeled from 529 college savings tax code
 - Tax-deferred savings vehicles used toward specific qualified expenses
 - Implemented on the State level
- Adds ABLE Accounts as Section 529A of the IRS tax code

Want to read more? Visit www.mdod.maryland.gov

What Does the Federal ABLE Act Do?

The Federal ABLE Act allows states to:

*create a new option for eligible people with disabilities
to save money in a tax-deferred account
that may be used for qualified disability expenses
while still keeping their eligibility for federal public benefits.*

Eligible Individuals with Disabilities

To be eligible for an ABLE account, you must:

- (1) Have developed a disability prior to the age of 26** → You do not need to have been formally diagnosed with the disability, but must be able to show documentation that you had the disability
- (2) Meet the Social Security definition of disability**

You can show this by:

Showing you have been found eligible for Supplemental Security Income (SSI) or Social Security disability benefits

OR

Providing “disability certification” from a doctor stating that you meet the Social Security-level of disability

ABLE Accounts: Advantages

- Money in these accts & withdrawals of money are tax-deferred so long as they are used for the account's intended purpose (qualified disability expenses)
- States may choose to offer a tax deduction for contributions to these accounts (*MD: Up to \$2500/annually*)

Exempt from federal, state & local taxation

ABLE Accounts: Requirements

- **Ownership:** The eligible individual (person with a disability) is the ABLE account “**designated beneficiary**”.

Only the eligible individual or a legal guardian/power of attorney may open an account.

- **Number of Accts:** A designated beneficiary may have only one ABLE account. Accounts cannot be opened by other people on behalf of a designated beneficiary.

Requirements, cont.

- **Contributions:** Multiple individuals may contribute to the account, but total annual contributions may not exceed the federal gift tax limit, which is currently \$14,000.
- **Acct balance:** \$325,000 max
- **Medicaid “clawback”:** When a beneficiary passes away, if that person used Medicaid, Medicaid can get reimbursed out of the funds remaining in the ABLE account.

Eligibility for Benefits

Money in the account (up to \$100,000) does not count “against” you for the purposes of establishing or maintaining eligibility for federal means-tested programs, e.g., Medicaid and SSI

What does this mean?

Individuals can accumulate **more** than \$2,000 in assets without losing SSI benefits.



Qualified Disability Expenses

Money in the ABLE account may be made for ***qualified disability expenses***, related to the individual's disability or blindness, 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
- ✓ Any other expenses approved by the Secretary of the Treasury under regulations consistent with the purpose of the program

Qualified Disability Expenses

- **States decide nec. safeguards to ensure that funds are used appropriately –
Most considering audit vs. reporting process**
- **RETAIN RECORDS of purchases
Could be audited (IRS) – funds “improperly” spent become taxable + 10% penalty**
- **Suggestions:
Obtain (and retain) documentation of need if purchase is not obviously covered
Spend own funds/SNT funds on “wants” & direct ABLÉ \$ to disability-related exp.**
- **Must file taxes (help for first-time filers @ MDCASH.org)**

MD Program will define & explain requirements



ABLE Act and Maryland

Maryland's Legislation

- **Task Force:** During the 2015 legislative session, Maryland passed SB 761, which created the Task Force on Maryland's ABLE Program. The Task Force was authorized to make recommendations on how the Maryland ABLE Program should be structured. It released its report on December 1, 2015.
- **MD ABLE Program creation authorized:** During the 2016 legislative session, Maryland passed SB355/HB431. This legislation requires the College Savings Plans of Maryland Board, in consultation with MDOD to establish, administer, manage, and promote the MD ABLE Program.

Features of SB355/HB431

- College Savings Plans of MD will administer the program (renamed “Maryland 529”)
- Sec.of MDOD added to the Maryland 529 Board
- State & local means-tested programs cannot use ABLE funds as part of eligibility considerations
- People who make contributions to ABLE accts get the same tax deduction as CSP acct holders
- **Target implementation: October 2017**

Implementation Timeline

- July 1, 2016
 - Received State funds to move forward (Gov. Hogan: \$745K)
 - Hire staff to research the following implementation options:
 - Contract with another state
 - Join a consortium
 - Contract with a program manager
 - Self-administer

Implementation Timeline

- December 2016
 - Make implementation recommendation to the Maryland 529 Board
 - Costs – keeping fees down
 - Features – investment options, access to funds, etc.
 - Education and implementation
 - Report findings to the Maryland General Assembly and request additional funding
- January 2017 – October 2017
 - Work to bring all the pieces together
 - Record Keeping System
 - Website
 - Marketing materials
 - Legal

ABLE in the future

Federal legislation was proposed during the 2015-2016 session of the U.S. Congress to make changes to ABLE, including:

- 1. The ABLE Age Adjustment Act (S. 2704/HR 4813) - would raise the age limit for ABLE accounts from 26 to age 46.**

ABLE in the future

- 2. The ABLE Financial Planning Act (S. 2703/HR 4794) - would allow families to rollover savings in a 529 college savings plan into an ABLE account.**

Currently, you would have to close out the CSP account – potentially incurring tax liabilities – and reinvest the money in an ABLE account.

ABLE in the future

- **ABLE to Work Act (S. 2702/HR 4795)**
 - Would allow an account holder who was working to **contribute up to \$11,770 in wages** to their ABLE account In addition to the \$14,000 annual contribution cap – thus increasing allowable annual contributions to \$25,770.
(linked to the Federal Poverty Level for an individual, which was \$11,770 in 2016.)
 - This option would only be allowed if the beneficiary was not participating in his/her employer's retirement plan (ex: 401k).

ABLE in Other States

- MD residents CAN open accounts in other states
- MD residents with an acct in another state will enjoy all the same protections of ABLE for State and Federal means-tested programs – but will not have the MD tax benefit
- You can transfer an existing ABLE account to Maryland's program once it opens (acct holders may “rollover” an acct opened in one state to another state program)



ABLE in Other States

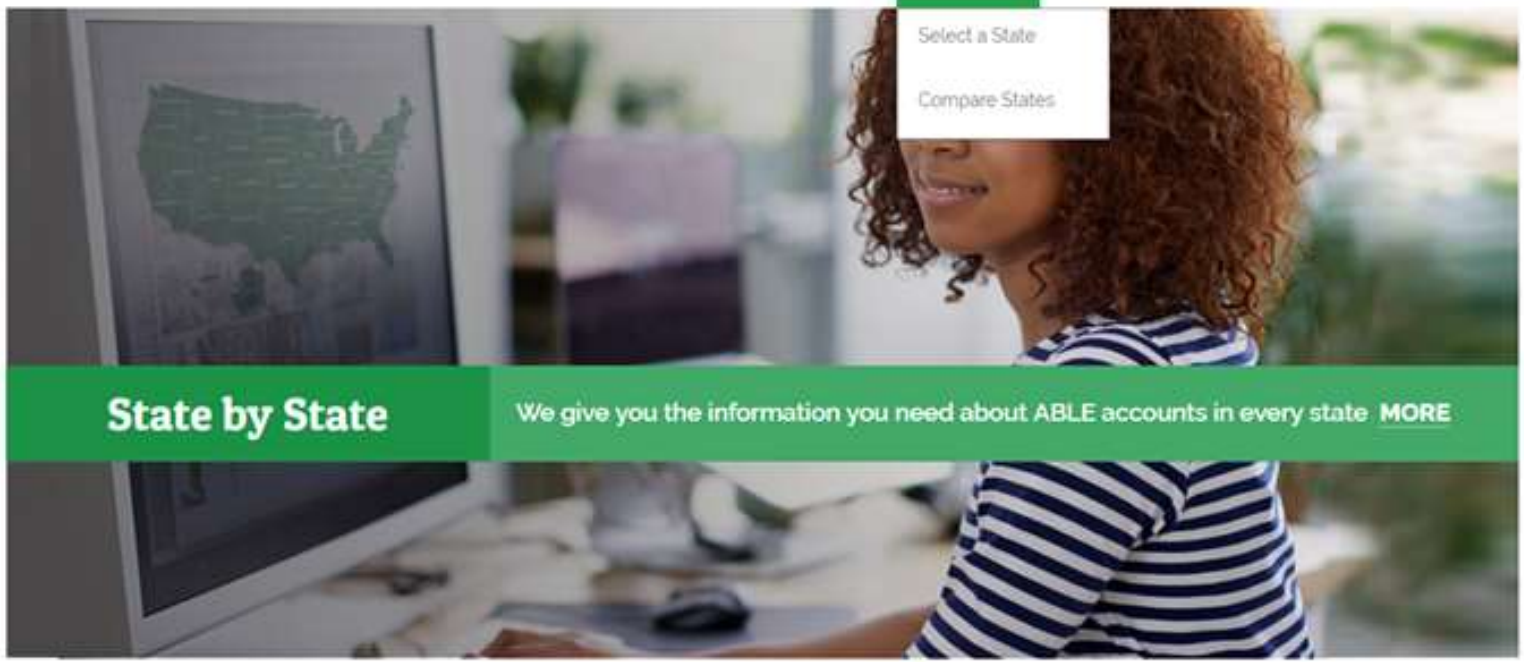
- **Available as of Nov. 2016:**
 - Ohio Stable: www.stableaccount.com
 - Nebraska Enable: www.enablesavings.com
 - ABLE TN (Tennessee): www.abletn.gov
 - ABLE United (Florida - only available to Florida residents): www.myablesavings.com
 - MiABLE (Michigan): www.miabile.org
- **Likely available December 1, 2016:**
 - Virginia & Oregon

Where to learn about other states' programs and how to choose the right one for you: [ABLE National Resource Center - www.ablenrc.org](http://www.ablenrc.org)

Comparing ABLE in Other States

Some considerations

- Minimum contribution amount
- Fees (annual; investment; rollover)
- Ease of use: e.g., Debit card/purchasing card?
- Features: e.g., OH online system tracks your purchases
e.g., TN Limited Durable Power of Attny for ABLE



State by State We give you the information you need about ABLE accounts in every state [MORE](#)

What We're About

The **ABLE National Resource Center (ANRC)** is a collaborative whose supporters share the goal of accelerating the design and availability of ABLE accounts for the benefit of individuals with disabilities and their investment, support and resources of the

10 Things
You Should Know About ABLE ACCOUNTS

Join
OUR MAILING LIST
For Important

Comparing to SNT

Another “tool in the toolbox”

ABLE accts:

- ✓ Designed to be flexible and easy
- ✓ Less cost to establish
- ✓ Beneficiary control over ABLE funds
- ✓ Immediate access – no trustee intermediary
- ✓ Beneficiary (acct holder) can contribute own funds

- X Only for disability-related expenses
- X Medicaid clawback risk with ABLE (may want to limit amt/add \$ as needed)



Resources

[Join the ABLÉ Mailing List:](http://mdod.maryland.gov)
mdod.maryland.gov



ABLE
ACT



[Join MD DD Council email list:](http://md-council.org)
md-council.org

