

## ABLE ACT & ABLE Accounts

**Background:** ABLE Accounts are tax-advantaged savings accounts for individuals with disabilities and their families. The various state's programs were created with the passage of the Stephen Beck Jr., Achieving a Better Life Experience Act of 2014 or better known as the ABLE Act.

### 1. Why the need for ABLE accounts?

Eligibility for some public benefits (SSI, SNAP, Medicaid) require meeting a means based or resource test of having less than **\$2,000** in cash savings, retirement funds and other items of significant value in order to remain eligible. For the first time, eligible individuals and their families can establish an ABLE savings accounts that will allow account holders to save additional money over the \$2,000 asset limit.

### 2. Basics of an ABLE account?

The beneficiary of the account is the account owner, and income earned (capital gains) by the accounts will not be taxed. Contributions to the account, can be made by any person (the account beneficiary, family and friends), but must be made using post-taxed dollars.

### 3. Am I eligible for an ABLE account?

The ABLE Act limits eligibility to individuals with significant disabilities with an age of onset of disability before turning 26 years of age. If you meet this age criteria and are also receiving benefits already under SSI and/or SSDI, you are automatically eligible to establish an ABLE account. If you are not a recipient of SSI and/or SSDI, but still meet the age of onset disability requirement, you could still be eligible to open an ABLE account if you meet Social Security's definition and criteria regarding significant functional limitations and receive a letter of certification from a licensed physician. **You need not be under the age of 26 to be eligible for an ABLE account. You could be over the age of 26, but must have had an age of onset before the individual's 26 birthday.**

### 4. Are there limits to how much money can be deposited into an ABLE account?

The total annual contributions by all participating individuals, including family and friends, for a single tax year is \$15,000 (beginning in 2018). The total limit over time saved in an ABLE account is subject to the individual state's 529b (education). Texas is \$370,000.

- a) **Other Limits:** If an ABLE account exceeds \$100,000, the beneficiary's SSI monthly cash benefit will **be suspended** until such time as the account falls back below \$100,000.

- b) Upon the death of the beneficiary, the state in which the beneficiary lived may file a claim to all or a portion of the funds in the account equal to the amount in which the state spent on the beneficiary through their state Medicaid program. This is commonly known as the “Medicaid Pay-Back” provision to recoup Medicaid related expenses incurred by the state from the time the account was open.
- c) \*\*\***New laws** passed in December of 2017 have changed the total amounts possible to deposit into an account and added exceptions on the type of funds allowable for deposit. For more information: <http://ablenrc.org/events/webinar-changes-able-2018>

#### 5. Which expenses are allowed by ABLE accounts?

A "qualified disability expense" means any expense related to the designated beneficiary as a result of living a life with disabilities. These may include education, housing, transportation, employment training and support, assistive technology, personal support services, health care expenses, financial management and administrative services and other expenses that help improve health, independence, and/or quality of life.

#### 7. Do I have to wait for my state to establish a program before opening an account?

No. While the original law passed in 2014 did stipulate that an individual had to open an account in their state of residency, this provision was eliminated by Congress in 2015. This means that regardless of where you might live and whether or not your state has decided to establish an ABLE program, **you are free to enroll in any state's program provided that the program is accepting out of state residents.**

#### 8. How Will I know Which State ABLE Program is Right for Me?

The Able National Resource Center has a great list of the available programs and ways to compare and contrast the various programs to understand which one is the best fit for you.

<http://ablenrc.org/>

#### 9. Does Texas have a plan yet?

Texas does not have a plan at this time, but should have one in 2018. For more information: <https://www.texasable.com/>