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**NATIONAL RESOURCE CENTER**  
ACHIEVING A BETTER LIFE EXPERIENCE ACT



# “Changes to ABLE in 2018”

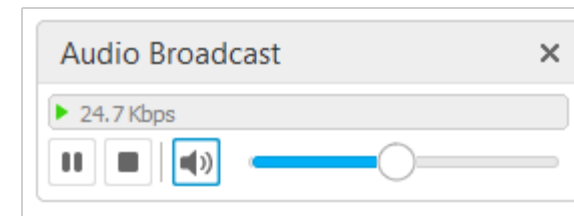
Presented by

**Chris Rodriguez, Director, ABLE National Resource Center**



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# Presenters and Guests

- Presenter
  - Christopher J. Rodriguez, Director, ABLE National Resource Center
- Guest Panelists
  - Michael Morris, Executive Director, National Disability Institute
  - J.J. Hanley, Director, Illinois ABLE
  - Stuart Spielman, Senior Policy Advisor and Counsel, Autism Speaks
  - David Bell, Managing Director, Oregon ABLE Savings Plan
  - Marty Ford, Senior Executive Officer, Public Policy, Arc of the United States
  - Mary Morris, Chief Executive Officer, Virginia 529/ABLEnow



# Agenda

- ABLE History and Basics
- 2018 Changes to ABLE
  - 2018 Increased Annual Contribution Limit
  - Ability to Rollover Funds from a 529 College Savings Account into an ABLE Account
  - Access to the Retirement Savings Contributions Credit (Saver's Credit)
  - Additional Allowable Contributions by the Beneficiary as a Result of Employment
- ABLE National Resource Center
- Questions and Answers
- ABLE Advisor Application Announcement
- February Webinar Announcement

# History of ABLE



# What is ABLE?

The Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act (PL 113-295) amends the federal tax code to add Section 529A in order to:

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

# ABLE Becomes Law - December 2014

- **One of most bipartisan bills in history**
  - **85% of the entire US Congress supported the ABLE Act**
    - 381 out of 435 in the US House of Representatives
    - 78 out of 100 in the US Senate
- Authorized (did not require) states to establish ABLE programs
- States acted very quickly to pass state ABLE laws and set up ABLE programs
  - June 2016: First ABLE account available
  - To date, 30 states (plus DC) have launched ABLE programs (most available nationwide)

# ABLE Basics



# Basic Characteristics

- There are eligibility requirements related to opening an ABLE account that speak to the age in which the individual first experienced his/her disability and related to the severity of such disability
- An eligible individual is not obligated to enroll in their state of residence
- The “Designated beneficiary” is the account owner (although another person such as a parent, guardian, or person with power of attorney may be allowed signature authority over the account).
- Funds in the account may be used for “qualified disability related expenses”
- Assets in, and distributions for qualified disability related expenses, will be disregarded or given special treatment when determining eligibility for *most* federal means-tested benefits (including Social Security and Medicaid)
- Multiple individuals may contribute to an individual’s ABLE account
- There is a **\$15,000** annual contribution limit (all contributors combined)\*

# Who is eligible to be an ABLÉ account beneficiary?

To be eligible, individuals must meet two requirements:

- 1) Age requirement: must be disabled before age 26; AND
  - 2) Severity of disability:
    - Have been determined to meet the disability requirements for Supplemental Security Income (SSI) or Social Security disability benefits (Title XVI or Title II of the Social Security Act) and are receiving those benefits,
- OR**
- Submit a “disability certification” assuring that the individual holds documentation of a physician’s diagnosis and signature, and confirming that the individual meets the functional disability criteria in the ABLÉ Act (related to the severity of disability described in Title XVI or Title II of the Social Security Act).

# What may funds from an ABLE account be used for?

- Distributions from an ABLE account may be made for “**qualified disability expenses**”.
- “Qualified disability expenses” are expenses that relate to the designated beneficiary’s blindness or disability and are for the benefit of that designated beneficiary in maintaining or improving his or her health, independence, or quality of life.
- The term “qualified disability expenses” should be broadly construed to permit the inclusion of basic living expenses and should not be limited to:
  - expenses for items for which there is a medical necessity, or
  - which provide no benefits to others in addition to the benefit to the eligible individual.



# Qualified disability expenses may include the following:

- Education, housing, transportation, employment training and support, assistive technology, personal support services, health, prevention & wellness, financial management and administrative services, legal fees, funeral and burial expenses and basic living expenses
- Distributions for non-qualified expenditures will be subject to tax consequences and may affect eligibility for federal means-tested benefits.

# How do ABLER account assets impact eligibility for federal benefits?

ABLE assets will be disregarded or receive favorable treatment when determining eligibility for *most* federal means-tested benefits:

- **Supplemental Security Income (SSI):** For SSI, only the first \$100,000 in ABLE account assets will be disregarded.
  - SSI payments (monthly cash benefit) will be **suspended** (not terminated) if the beneficiary's account balance exceeds \$100,000, but SSI benefits (eligibility) will not be terminated. *Funds above \$100,000 will be treated as resources.*

# Impact on Federal Benefits (cont.)

- **Medicaid:** ABLE assets are disregarded in determining Medicaid eligibility
  - Medicaid benefits are NOT suspended if the ABLE account balance exceeds \$100,000 (that is only applicable to the SSI cash benefit)
  - **Medicaid Payback:** Any assets remaining in the ABLE account when a beneficiary dies, subject to outstanding qualified disability expenses, can be used to reimburse a state for Medicaid payments made on behalf of the beneficiary after the creation of the ABLE account (the state would have to file a claim for those funds)

# Tax Treatment of ABLE Accounts

- Contributions to an ABLE account are made with post-tax dollars.
- ABLE account earnings grow tax-free and are tax-exempt
- Some states have deductions for contributions to ABLE accounts by in-state residents:
  - Iowa, Maryland, Michigan, Missouri, Montana, Nebraska, Ohio, Oregon, Pennsylvania, South Carolina, Virginia, Wisconsin (out-of-state), Utah (credit)

# ABLE programs that have launched

- **30 states (plus DC) and counting!**

- **Nationwide programs:** Alabama, Alaska, Colorado, Kansas, Indiana, Illinois, Iowa, Massachusetts, Michigan, Maryland, Minnesota, Montana, Nebraska, Nevada, North Carolina, Ohio, Oregon (nationwide option for nonresidents), Rhode Island, Pennsylvania, Tennessee, Virginia, South Carolina, Washington, D.C.
- **In-state programs** (limited to in-state residents only): Georgia, Florida, Kentucky, Louisiana, Missouri, New York, Oregon (option for state residents), Vermont, New Mexico



# Changes to ABLE in 2018



# Increased Contribution Limit



# Increased Contribution Limit

- The annual contribution limit is periodically adjusted for inflation. As a result, for the 2018 tax year, the annual contribution is set at \$15,000 (previously \$14,000).
- The \$15,000 annual contribution limit accounts for ALL contributors combined in any given tax year.\*



# 529 College Savings Account Rollover



# 529 College Savings Account Rollover Provision

- Previously known as the “ABLE Financial Planning Act”
- This provision was passed as part of the “Tax Cuts and Jobs Act of 2017”

# 529 College Savings Account Rollover Provision (Continued)

- Allows funds in a 529 College Savings account to be rolled over into a 529A account (ABLE Account).
- The ABLE account beneficiary (to receive the funds) must be either:
  - the beneficiary of the 529 College Savings account, or
  - A “family member” of the beneficiary of the 529 College Savings account
- The funds rolled over from the 529 college savings account to an ABLE account are subject to the annual contribution limit and thus capped at \$15,000 for any given tax year (provided that no other contributions into the account have been made during that tax year)
- This provision will expire on Jan. 1, 2026\*
  - This should not act as a deterrent, we have every reason to believe that this will be exceeded when needed.

# Eligibility for Saver's Credit



# Saver's Credit

- Formal name is the Retirement Savings Contributions Credit
- Purpose: This tax credit acts as an incentive for low and moderate income tax payers to make contributions to retirement accounts (an IRA, 401k, 403b) by allowing them a tax credit (which can be deducted from the taxes they owe).
- The new tax law extends this credit to those ABLER account owners who contribute to their own ABLER account and who meet the other criteria related to being eligible for the Saver's credit.

# Saver's Credit (Continued)

- To claim the credit you must meet eligibility requirements:
  - Age 18 or older;
  - Not a full-time student; and
  - Not claimed as a dependent on another person's return.
  - For a single filer, the adjusted gross income limit to qualify for the Savers' Credit in 2017 was \$31,000 and \$62,000 for married couples filing jointly.
- It is a nonrefundable credit which means you must owe taxes to use the credit and the maximum value would reduce the taxes you owe down to zero.

# Saver's Credit (Continued)

- The maximum credit you can receive is \$2,000 (\$4,000 if filing jointly).
- The percent of your contribution you are allowed to take is reduced as your adjusted gross income (AGI) increases.
- This provision will expire on Jan. 1, 2026
  - This should not act as a deterrent, we have every reason to believe that this will be exceeded when needed.

2018 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$38,000	AGI not more than \$28,500	AGI not more than \$19,000
20% of your contribution	\$38,001 - \$41,000	\$28,501 - \$30,750	\$19,001 - \$20,500
10% of your contribution	\$41,001 - \$63,000	\$30,751 - \$47,250	\$20,501 - \$31,500
0% of your contribution	more than \$63,000	more than \$47,250	more than \$31,500

# Additional Contributions Above \$15,000



# Additional Contributions Above \$15,000

- Previously known as the “ABLE to Work Act”
- This provision was passed as part of the “Tax Cuts and Jobs Act of 2017”
- This provision allows ABLE account beneficiaries who work, and earn income, to contribute above the \$15,000 annual contribution limit.
- By how much?
  - The lesser of their gross income for that taxable year, or the amount equal to the federal poverty line (for the contiguous 48 states) for a one-person household (as determined for the calendar year preceding the calendar year in which the contributions are made). 2018 FPL: \$12,060\*.

# Additional Contributions Above \$15,000 (Continued)

- The contributions above the \$15,000 annual contribution limit would be limited to contributions made specifically by the account beneficiary into their ABLÉ account\*.
- The additional contribution would only be allowed if the beneficiary is not participating whatsoever in his/her employer-based retirement fund\*.
- Earnings by the beneficiary, as a result of employment, that are contributed into their ABLÉ account, will still be counted in terms of Substantial Gainful Activity (SGA) or earned income, and thus taken into consideration when determining eligibility for certain public benefits (as earned income, not as an asset).

# Additional Contributions Above \$15,000 (Continued)

- Questions remain about aspects of the provision relating to these increased contributions and may require guidance from the U.S. Department of the Treasury.
  - Ex: Definition of “work/employment”
- This provision expires on Jan. 1<sup>st</sup>, 2026
  - This should not act as a deterrent, we have every reason to believe that this will be exceeded when needed.

# Resource

- You can find a short summary of these changes on the ABLE National Resource Center website at:

<http://www.ablenrc.org/news/big-changes-horizon-able-2018>

# The ABLÉ National Resource Center

**The ABLÉ National Resource Center** (ANRC) is a collaborative whose supporters share the goal of accelerating the design and availability of ABLÉ accounts for the benefit of individuals with disabilities and their families. We bring together the investment, support and resources of the country's largest and most influential national disability organizations.

[www.ablenrc.org](http://www.ablenrc.org)

# Question and Answers



# ABLE Advisors: Invitation to Apply

The ABLE National Resource Center is seeking to identify up to eight ABLE account owners to participate as an Advisor Group to the Center.

We are looking for **parents and working-age adults with disabilities** that represent a **diversity of experiences in terms of their reasons for opening an account, their short and long term financial goals related to the account, and how they hope the account will help them increase their health, independence, and/or quality of life.**

We are also looking for diversity represented by selection and participation in **different state ABLE programs, type of disability, age, gender, race and ethnicity.**

For more information on how to apply, please visit our website ([www.ablenrc.org](http://www.ablenrc.org)) and scroll down to the “News” section.



# February Webinar Announcement

Title: Understanding ABLE  
Disclosure Documents

Date/Time: February 22<sup>nd</sup> (2:00-  
3:30pm Eastern)

Description: This webinar will  
assist potential ABLE account  
owners, and current account  
owners, in better understand the  
importance of ABLE disclosure  
documents.





# Contact us!

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