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WELCOME!





NATIONAL RESOURCE CENTER
ACHIEVING A BETTER LIFE EXPERIENCE ACT



ABLE Tax Time Tips

February 24th 2:00 pm - 3:30 pm ET

The ABLE National Resource Center is funded through a grant from Prudential.



The ABLE National Resource Center

The **ABLE National Resource Center (ABLE NRC)** is the leading, comprehensive source of objective, independent information about federal- and state-related ABLE programs and activities, including guidance on tax-advantaged ABLE savings accounts.

Our mission is to educate, promote and support the positive impact ABLE can make on the lives of millions of Americans with disabilities and their families.

Our pioneering work in this area and subject-matter expertise make us the foremost authority on topics related to the Achieving a Better Life Experience (ABLE) Act, ABLE accounts, state ABLE programs, ABLE-related policy developments and comprehensive integration of ABLE and financial capability strategies for people with disabilities into public service delivery systems.

[ABLEnrc.org](https://www.ablenrc.org)



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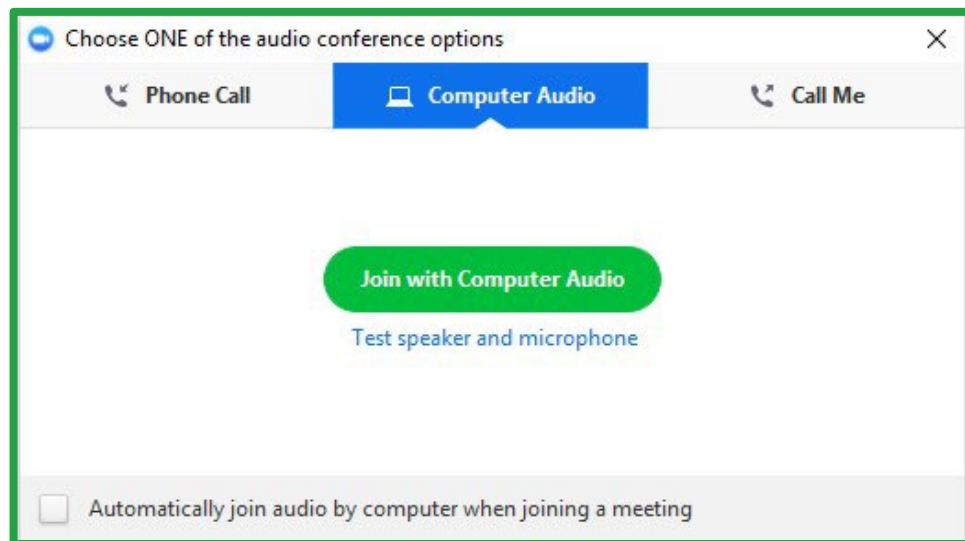
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Submitting Questions

- Please use the Q&A box to submit any questions you have during the webinar. Please do not use the chat box. We will try to answer all questions.
- Please explore the ABLE National Resource Center website for answers to all of your questions and for additional information within our archived webinars, resources and newsletters:

[ABLEnrc.org](https://www.ableenrc.org)



INTRODUCTION AND OVERVIEW



NATIONAL RESOURCE CENTER
ACHIEVING A BETTER LIFE EXPERIENCE ACT

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Overview

The Stephen Beck Jr. Achieving a Better Life Experience (ABLE) Act proposed regulations were passed by Congress in 2014 and the final regulations were published 11/19/2020. ABLE accounts fall under 529A of the Internal Revenue Service (IRS) tax code. Today's webinar will help you to learn how you can increase your ABLE savings and qualify for tax incentives now and in the future.

This may result in significant tax savings and/or a refund you can deposit directly into your ABLE account! Hear how ABLE account owners like you have maximized their ABLE savings through tax deductions and credits, and how you can do the same!



Objectives

- Share why you should consider filing taxes even if you are not required to file;
- Tell you about free tax filing options;
- Discuss tax incentives, deductions and refunds to build ABLE savings;
- Cover guidance that will help ABLE account owners' 2021 tax filing;
- Identify steps now, that may benefit your ABLE account in 2022.



This webinar will share intermediate level information about ABLÉ accounts.

If you need basic information about ABLÉ accounts, please visit our website at www.ablenrc.org and review the resources in the format of your choice.



ABLE National Resource Center Decision Guide Series



- [ABLE Account Decision Guide Series](#) are step-by-step guides, which show multiple pathways that result in various outcomes.
- The guides are meant to increase understanding and assist in decision making.

ABLE National Resource Center

Decision Guide Series (continued)

First six:

- Eligibility
- Finding Funds to Save
- Determining Whether Something Is a Qualified Disability Expense
- Impact on Public Benefits
- Working People with Disabilities
- ***Newest:*** Selecting and Opening an ABLE Account



Coming Soon!

- Managing an ABLE Account
- Understanding ABLE Accounts, Special Needs Trusts and Pooled Trusts

FILING A FEDERAL INCOME TAX RETURN



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Tax Filing is Critical

- Filing a tax return is the only way someone not required to file taxes can receive a refund for taxes already paid.
- We encourage you to file a federal income tax return even if your total income for the 2021 tax year does not exceed the IRS limits because:
 - *New!* You may be eligible for **expanded** tax credits or deductions this year which could mean a refund if you file your tax return!



Tax Filing is Critical (Continued)

- If back taxes are owed, if you file taxes and are due a refund, it will lower or eliminate the back taxes owed before the refund is issued. Back tax liens could affect credit scores and make it harder to get a loan.
- You can build your ABLE savings and deposit all or a portion of the refund into your ABLE account.
- You could get future economic impact (stimulus) payments faster.

Recovery Rebate Credit and Economic Impact Payments

- The IRS has issued the first, second and third Economic Impact Payments (also known as “Recovery Rebates”). Many eligible people already received their payments and won’t be eligible to claim a Recovery Rebate Credit.
- People who are missing a stimulus payment or who got less than the full amount may be eligible to claim the credit on their 2020 (if filing late) and 2021 tax return.
- Go to [Recovery Rebate Credit](#) determine if you are eligible and whether you need to claim a Recovery Rebate Credit. All or a portion of a refund may be saved in your ABLE account.



Important Federal Income Tax Filing Dates

- January 24, 2022
 - Tax filing season began! IRS began accepting and processing 2021 returns.
- April 18, 2022
 - Due date to submit 2021 tax returns for most taxpayers. Maine and Massachusetts have until April 19, 2022, to file due to holiday in those states.
- October 17, 2022
 - Automatic due date for taxpayers who requested an extension to file their 2021 tax.



Case Scenario (1)

Mia, an ABLE account owner, is not currently working.

Question: Does Mia need to file taxes because she has an ABLE account?



Case Scenario (2)

Answer:

No. Mia, an ABLÉ account owner, does not need to file taxes simply because she has an ABLÉ account. If a person hasn't worked, but receives disability payments from Social Security Administration, retirement income, investment earnings, and/or dividends, or if their income is over IRS limits, they may need to file income taxes.

Even if a person is not required to file by law, they may choose to file a Federal income tax return to claim deductions or tax credits, and that may result in a refund. If a person decides to become employed to meet their goals and to save more money in her ABLÉ account, they should consider filing even if they are not required to file.

USING FREE TAX FILING SERVICES AND FILING OPTIONS



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Free Help Preparing your Federal Tax Return

Two programs that provide assistance are available to people who generally make less than **\$58,000** or have a disability:

- The [Volunteer Income Tax Assistance \(VITA\)](#). To locate the nearest VITA or TCE site, use the [VITA Locator Tool](#) or call [800-906-9887](#).
- [Tax Counseling for the Elderly \(TCE\) Programs](#), are available for ages 60 and older. Most TCE sites are operated by the AARP Tax Aide Program. To locate the nearest AARP TCE Tax-Aide site between January and April use the [AARP Site Locator Tool](#) or call [888-227-7669](#).

[My free Taxes](#); limited to taxpayers with AGI less than **\$73,000**. Call My free Taxes at 866-698-9435 or visit their website.



Free Tax Preparation Services for Self-Prepared Tax Returns

- [IRS Free File](#) allows eligible taxpayers to prepare and file their federal income tax online for free, in one of two ways:
 - Guided online tax preparation and filing at an IRS [partner site](#) is at no cost to qualifying taxpayers. Only taxpayers whose [AGI](#) is \$73,000 or less qualify for a free Federal tax return using this service.
 - [Free File Fillable Forms](#) are electronic federal tax forms you fill out online. It is the only IRS free file option available for taxpayers whose [income \(AGI\)](#) is greater than **\$73,000**. If you choose this option, you should know how to prepare your own tax return.
- Some state-level tax filing options are also available that are free, while other state tax filing options are fee-based.



Federal Tax Return Preparers

- Tax return preparers have different levels of skills, education and expertise.
 - [Understanding Tax Return Preparer Credentials and Qualifications](#) can help you learn more about the different types of tax professionals so that you can select one which meets your needs.



Tax Time Tip: Tax Preparation

- ✓ Money saved using free tax preparation services and options, along with any refund can be saved in your ABLE account!
- ✓ Tax refunds do not count as income. If they are saved after they are received in a non-ABLE account, they **count towards the resource limit** by means-tested benefit programs after 12 months. Saving in an ABLE account is recommended!
- ✓ Learn more in our Decision Guide:
[“Understanding ABLE Account Savings and Public Benefits.”](#)



Case Scenario (3)

Ethan does not qualify for free tax preparation services due to his income and feels more confident using the fee-based tax preparer that he has used for the past several years. His tax preparer is listed in the IRS Directory of Federal Tax Return Preparers.

Question: Can Ethan's tax preparation fee be withdrawn from his ABLE account without a penalty, as a qualified disability expense, to pay the tax preparer?



Case Scenario (4)

Answer:

- Yes, if Ethan does not use the free filing options and decides to pay a tax preparer, the tax-filing cost is a qualified disability expense (QDE) and may be withdrawn from the ABLE account.
- However, ABLE NRC would recommend Ethan use other income for this expense to allow his ABLE account to continue to grow tax-free.
- TIP: You can determine whether something is a QDE by using ABLE NRC's [Decision Guide](#).



BUILDING ABLE ACCOUNT SAVINGS THROUGH CONTRIBUTIONS, TAX CREDITS AND DEDUCTIONS



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How Credits and Deductions Work

When you claim tax credits and deductions on your tax return, you can change the amount of tax you owe:

- Deductions can reduce the amount of your income before you calculate the tax you owe;
- Credits can reduce the amount of tax you owe or increase your tax refund, and some credits called “refundable,” meaning you may receive a refund even if you do not owe any tax.
- Information about existing [tax benefits and credits](#) are contained in [IRS Publication 907 Tax Highlights for Persons with Disabilities](#).
- All or a portion of a refund may be saved in your ABLE account. For direct deposit, to an ABLE and another account, use [IRS Form 8888](#).



ABLE Contribution Limits for 2022 Tax Season

- ***New!*** Base of \$16,000 from all combined sources in calendar year 2022;
- ***New!*** ABLE account owners who work and do not have contributions made to a retirement plan for the tax year may make **additional** contributions to their ABLE account, up to the amount of their **employment earnings**. The amount is **limited to whichever is less**: ABLE account owner's earnings for that tax year *OR*:
 - **\$12,880** if you live in the continental U.S.A.
 - **\$16,090** if you live Alaska
 - **\$14,820** if you live in Hawaii
- Use the Decision Guide “[Finding the Funds to Save in an ABLE Account](#)” to learn more about contributions.



Tax Time Tip: ABLE Contributions

- ✓ Anyone can contribute to an ABLE account which grows tax free. The contributions may be made by you, your family, or others and include:
 - ✓ Earnings, unearned income, and even tax refunds.
 - ✓ A special needs trust or pooled trust may contribute to an ABLE account. Trusts are taxed at a higher rate so it may be to your advantage to discuss transfers from these accounts directly into an ABLE account.
 - ✓ Employer contributions are subject to the rules governing taxation of compensation.



Retirement Savings Contribution Credit (Saver's Credit)

The Saver's Credit may be available to ABLE account owners who work and deposit a portion of their earnings into an ABLE account.

- The maximum amount of the credit is 50%, 20% or 10% of total ABLE (or IRA or retirement plan) contributions;
- The non-refundable credit is up to \$2,000 for an individual or \$4,000 for a couple who each own an ABLE or other qualified savings account and file jointly.
- Distributions from the ABLE plan are also taken into consideration.



Tax Time Tip: Saver's Credit

- ✓ This non-refundable tax credit cannot be more than the tax you will pay for the tax year. By claiming the Saver's Credit, you can reduce your overall tax liability.
- ✓ A saved and invested income tax refund can grow significantly over time.
- ✓ Use [Form 8880](#) to determine the amount of the credit.
- ✓ Working is one of the best ways to save additional money and to plan for short-term and long-term goals.



Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a benefit for working people who have adjusted gross income within certain limits. They do not have to have children to qualify.

- Even if a person does not owe any tax or they are not required to file, they must file a tax return to claim the EITC, which may provide a tax refund.
- EITC has special rules that apply for members of the military, members of the clergy, and taxpayers with certain types of disability income or children with disabilities.



EITC Maximum Credit

The maximum amount of the EITC for Tax Year 2021 for a federal tax returns is:

- \$6,728 with three or more qualifying children;
- \$5,980 with two qualifying children;
- \$3,618 with one qualifying child;
- \$1,502 with no qualifying children.



Tax Time Tip: Earned Income Tax Credit

- ✓ New! You can elect to use your 2019 earned income to figure your 2021 EITC if that income is more than your 2021 earned income. This could result in a higher EITC or refund!
- ✓ Use the EITC Assistant to learn if you are eligible and to estimate the amount of the credit you may get. Eligibility has expanded to include those who are **19 and older who are not a student or claimed by another taxpayer**. Also, eligibility is expanded to include those who work and are **65 or older**. See IRS Publication 596 for more details.
- ✓ Some states also have an EITC! If an EITC results in a tax refund, it can be saved in your ABLE account.
- ✓ Compound your tax credits and savings. Review the Decision Guide: “ABLE Accounts and Working People with Disabilities” to learn more.



Tax Time Tip: Earned Income Tax Credit (continued)

- ✓ *New!* The EITC was expanded. Eligibility used to be limited to taxpayers ages 25 to 64. Individuals may qualify for the ETIC at a younger age or at an older age!
 - ✓ The youngest age of eligibility is now age 19 or older if you are employed, you are not a student, you are not claimed by another taxpayer and you meet all eligibility rules.
 - ✓ A taxpayer 65 or older may now be eligible for the EITC when they meet all rules.



ABLE State Tax Credit or Deduction

- The ABLE National Resource Center has helpful tools to compare State ABLE plan features, including identifying states with tax deductions for ABLE account owners and contributors.
- Many individuals search their home state first to see if a tax deduction is available in their state of residence or another state by using this [state comparison tool](#).
 - **For example: Wisconsin does not offer an ABLE program, but Wisconsin residents may apply for a state tax credit/deduction for any amount deposited into any other state's ABLE account.**

Tax Time Tip: ABLE State Tax Credit

- ✓ A state tax credit or deduction may lower the amount of tax due or owed and it may result in a state income tax refund, allowing for increased savings.



ABLE ACCOUNTS AND CHILD AND DEPENDENT CARE



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Child and Dependent Care Tax Credit

- You may be eligible to claim this credit if you (or your spouse if you file a joint return) pay someone to care for your child or other qualifying person in order to work or look for work and meet other rules. This credit is calculated based on earned income and percentage of expenses.
- ***New!*** For 2021, the top credit percentage increased from 35% to 50%. The credit is based on up to \$8,000 for one qualifying person/child and \$16,000 for two or more people and is multiplied by the 35-50% allowance, based on income. That equals up to \$4,000 per child or \$8,000 for two or more children;
- You may claim this credit even if you paid for these work-related expenses as a qualified disability expense from your ABLE account!



Tax Time Tip: Child and Dependent Care Tax Credit

- ✓ ***New***. This credit is fully refundable for tax year 2021 (which you file taxes for in 2022). This means that even if you do not owe any tax **or** are not required to file, you must file a tax return to claim this credit, which may provide a tax refund.
- ✓ **Publication 503** explains the tests you must meet to claim the credit, how to figure it and how to claim it with **Form 2441**, If paid by an employer, Part III of Form 2441 must be completed by the tax filer.
- ✓ All or a portion of a refund may be saved in your ABLE account. For direct deposit to ABLE and another account, use **IRS Form 8888**.



Case Scenario (5)

Tai, a young widow, has three small children she is supporting through self-employment. Most of her income is used for day-to-day expenses, childcare, and to pay for costs to attend college to get a higher degree. Tai makes small, regular deposits into her ABLE account and her family directly deposits funds into her ABLE account as well.

Question: Does Tai need to decide which tax credit can benefit her the most, or can she claim multiple credits and deductions if she qualifies?



Case Scenario (6)

Answer:

- Tai can claim all tax credits and deductions for which she is eligible! Self-employed individuals and those employed as an employee may be eligible for the Earned Income Tax Credit (EITC). For the EITC alone, she can qualify for up to the maximum credit of \$6,728 since she has three dependent children.
- She may also qualify for a Child and Dependent Care Credit, education credits, Savers Credit, or deductions for self-employed individuals. In Tai's situation, due to the complexity of her tax return and the number of tax credits and deductions she may be eligible for, she may wish to review her options and review the IRS information on choosing a tax professional for help in preparing her return.



ABLE ACCOUNTS AND SSA REPRESENTATIVE PAYEES



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Case Scenario (7)

Amari, a 30-year-old, who has received Supplemental Security Income (SSI) benefits since he was 18, is ABLE eligible. Amari began working last year and wants to begin saving for his own apartment. He does not have a legal guardian, but he has a SSA Representative Payee who helps him to manage his SSI benefits.

QUESTION: Can Amari open his own ABLE account?



Case Scenario (8)

Answer:

- Yes. Amari may open an ABLE account in his name and deposit all or a portion of his earnings into the account along with a special needs allowance or other funds the representative payee gives to him.
- At this time, if a Representative Payee decides to save unused SSA benefits, called “**conserved funds**,” in an ABLE account, the account must be properly titled and the account owner may not have access to the conserved funds.



Priority of Order for Opening an ABLÉ Account

- There may be multiple family members, a legal guardian, or representative payee in a person's circle of support who may want to help a person open an ABLÉ account.
- The [IRS Final Regulations](#) include a priority of order listing for opening an ABLÉ account. When the account is opened, a person must self-certify that they are authorized to open the ABLÉ account and there is no other person with higher priority to establish the account.
- Learn who can open an ABLÉ account in the Decision Guide: [“Selecting and Opening an ABLÉ Account.”](#)
- Communication is critical to avoid opening more than one account.



Tax Time Tip: More Than One ABLE Account

- ✓ If an additional ABLE account is opened in error, there are two ways to fix it:
 - ✓ The ABLE accounts must be consolidated into one account and any excess contributions for the present calendar year must be returned to the contributor; or
 - ✓ All contributions to the additional account must be returned to the contributor.
- ✓ Either of these must be completed by the account owner's tax return due date, plus extensions, for the year in which the additional ABLE account was opened.



PREPARING FOR THE TAX FILING SEASON

NEXT STEPS AND RESOURCES



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Maximize Financial Impact with These Steps

- Organize your tax records to make preparing a complete and accurate tax return easier. It helps avoid errors that lead to processing and refund delays.
- Consider adjusting withholdings if you owe taxes or receive a large refund. Changing withholding can help avoid a tax bill or provide more take-home pay that you can pay your monthly bills with and the extra can be deposited regularly into your ABLE account. Use Publication 505, Tax Withholding and Estimated Tax.
- Get banked to speed tax refunds with Direct deposit. Set up automated contributions from earnings or unearned income into your ABLE account. Savings, even small amounts today, can add up to a significant amount over the years.



Maximize Financial Impact with These Steps

(Continued)

- Remember to file your taxes. Use IRS recommended resources and [online tools to help you get the information you need.](#)
- Check back frequently for the Decision Guide: [“Managing an ABLER Account,”](#) which will help you or someone you are helping focus on building financial skills, making smart financial decisions, developing goals for life and finances, putting a plan to achieve goals into action and being committed to saving.
- Consider [contacting a free financial coach](#) to share your financial goals and develop a plan to reach your goals.



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Visit the ABLE NRC website at:
www.ABLENrc.org for:

- [Road Map to Enrollment](#)
- [ABLE Decision Guides](#)
- [#ABLEtoSave Podcasts](#)
- [State Comparison Tool](#)
- [Service Provider Toolkit](#)
- [Employer Toolkit](#)
- [BIPOC Outreach Toolkit](#)



Tax Time Resources

- [Taxes and Tax Preparation - Financial Resilience Center](#)
 - Resources on How to Prepare to File, Where to File, When to File and Tips on Filing
- [2021 Tax Highlights for People with Disabilities - Publication 907](#)
- [IRS: Expanded credits for families highlight tax changes for 2021; many people who don't normally file should file this year | Internal Revenue Service](#)
 - Information on expanded tax credits and deductions for 2021.



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Thank you!

THE END



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