

SB 215: ABLE Update Bill

SENATOR CATHY GIESSEL

What is an ABLE account?

ABLE: “Achieving a Better Life Experience”

Tax-free savings account for individuals with qualifying disabilities

Funds may be used to pay for items such as disability expenses, education, housing, transportation

Distributions into accounts are not counted against individual in determining eligibility for Medicaid and needs-based assistance programs

History of ABLE

ABLE Act of 2013

Signed into federal law in December 2014 as part of the Tax Extenders package

Established 529A (ABLE) savings accounts exclusively for individuals with disabilities

Alaska ABLE Act

Signed into law in July 2016

Authorized establishment of a state ABLE program to be administered by Department of Revenue

Matched the 2013 ABLE Act passed by Congress

Alaska joined the National ABLE Alliance, a group of 17 states formed to share information, create economies of scale and provide a hub for financial inquiries

Updates to ABLE

ABLE to Work Act

Signed into law in 2017 as part of the Tax Cuts and Jobs Act

Increased annual contributions levels

Incentivized employment by increasing the contribution level for employed beneficiaries from \$15,000 to \$27,060

ABLE Financial Planning Act

Signed into law in 2017 as part of the Tax Cuts and Jobs Act

Allowed college saving account funds (529 accounts) to roll over into ABLE accounts

Allowed individuals who incurred disabilities after they established 529 college savings plan to roll over savings into ABLE account

ABLE Age Adjustment Act

Will increase the age of eligibility from 26 to 46

Will allow more participation in ABLE accounts

SB 215 Proposed Updates

Reassigns department responsibility

Expands age eligibility limits

Allows greater flexibility in using funds to pay for education expenses

Allows 529 program accounts to roll into an ABLE account

Aligns with federal regulations regarding program savings accounts

Sectional Analysis

Section 1

Establishes AS 06.65.020(b).

Requires the Department of Health and Social Services to consult with the Governor's Council on Disabilities and Special Education when overseeing the Alaska Savings Program.

Section 2

Expands the age of eligibility from 26 to match proposed federal law age of 46.

Sections 3 – 4

Expands eligibility of contributors and the amount of contributions to program accounts to match guidelines in AS 14.40.802(f)(3) from Section 10.

Section 5

Specifies that a rollover may occur between a program account to another account if the new account is authorized by federal law.

Section 6

Refines “department” to mean the Department of Health and Social Services to mark the shift in supervising authority between the two departments.

Section 7

Removes the distinction of higher education when referring to an education savings account.

Section 8

Removes the distinction of postsecondary education when referring to an education savings account.

Renames the “Alaska Higher Education Savings Trust” to the “Education Trust of Alaska”.

Section 9

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Aligns account withdrawal restrictions with 26 U.S.C. 529.

Section 10

Establishes AS 14.40.802(f)(3).

Expands options for an account participants to change their beneficiary to any individual.

Allows account participants to transfer funds between accounts if the amount transferred does not exceed federal limits and the contribution is for a new beneficiary who is a family member who is eligible for their own account.

Section 11

Transfers between ABLE accounts is limitable by restrictions established AS 14.40.802(f) in Section 10.

Section 12

Allows a program participant to designate a successor participant to their account and allows changes to take effect immediately.

Section 13

Refines “beneficiary” to have the same definition given in 26 U.S.C. 529(e).

Section 14

Replaces “qualified higher education expenses” with “qualified education expenses” and defines the phrase to have the same meaning as that given in U.S.C. 529(e) and (c).

Section 15

Redefines “trust” to mean the Education Trust of Alaska.

Sections 16 – 23

Renames the “Alaska Higher Education Savings Trust” to the “Education Trust of Alaska”.

Removes the distinction of higher education when referring to the Alaska education savings program or an education investment program.

Replaces “University of Alaska college savings plan” and “college savings account” with “education savings plan”.

Section 24

Establishes AS 47.14.400(e)(5).

Defines “education savings plan” to mean an education savings program.

Section 25

Repeals AS 47.14.400(e)(2).

Questions?