



GOVERNOR'S COUNCIL
ON DISABILITIES &
SPECIAL EDUCATION



The ABLE Act: Achieving a Better Life Experience

Patrick Reinhart
Executive Director
Governor's Council on Disabilities & Special Education



ABLE Accounts:

- Achieving a Better Life Experience Act



Signed into law 12/19/14



What is an ABLE Account?

Tax-exempt savings account:

- Similar to 529 college savings account
- Recognizes the high cost of living with a disability
- Will increase opportunities for financial independence and greater self-sufficiency





SSI Payments 2016

“Maximum Federal Supplemental Security Income (SSI) payment amounts increase with the cost-of-living increases that apply to Social Security benefits. **This year there is no COLA, so there will be no increase in SSI payment amounts in 2016.** The monthly maximum Federal amounts for 2016 are **\$733** for an eligible individual and **\$1,100** for an eligible individual with an eligible spouse.” (Social Security Administration)

\$733
X12
\$8,796/year



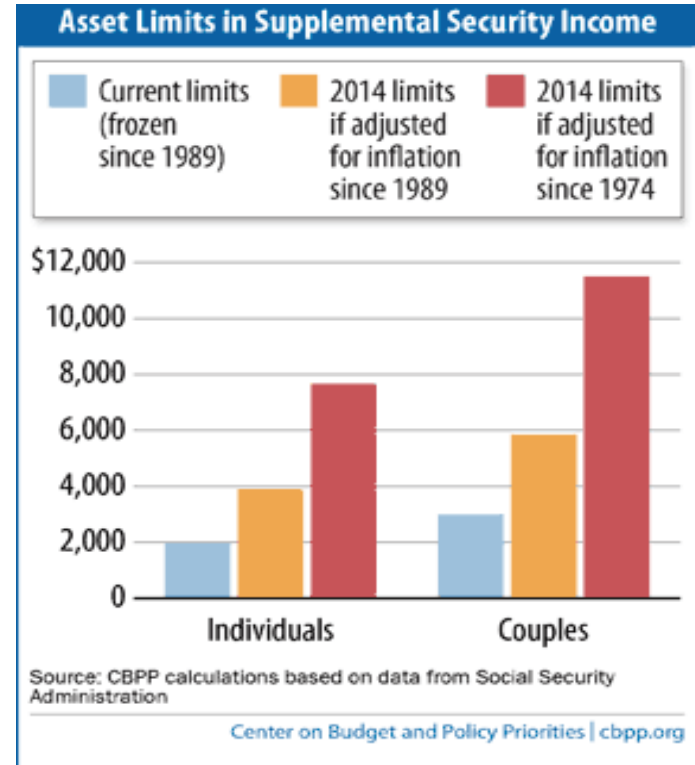


Alaska Poverty Levels

| PERSONS IN FAMILY/HOUSEHOLD | POVERTY GUIDELINE |
|---|-------------------|
| For families/households with more than 8 persons, add \$5,200 for each additional person. | |
| 1 | \$14,720 |
| 2 | \$19,920 |
| 3 | \$25,120 |
| 4 | \$30,320 |
| 5 | \$35,520 |
| 6 | \$40,720 |
| 7 | \$45,920 |
| 8 | \$51,120 |

The ABLE Act is an *Empowerment* Tool:

- The ABLE Act is a critical new tool to facilitate employment possibilities:
 - ***Allows saving above the Medicaid and Social Security (SSI) Resource Limits!!!***
 - Save money earned without risking necessary public benefits that enable employment in the first place
 - Reduced reliance on government by allowing a better opportunity for personal saving





ABLE Accounts: 10 Things You Must Know

1) What is an ABLE account?

- **Tax-advantaged** savings accounts for individuals with disabilities and their families
- Income earned by the accounts = **not taxed**
- Contributions to the account = not tax deductible

ABLE Accounts: 10 Things You Must Know

2) *Why is there a need for ABLE accounts?*

- Previously, public benefit eligibility required an individual to remain at or below poverty levels
 - **ABLE savings accounts will not affect eligibility for SSI, Medicaid/other federal public benefit programs!**
- There are extra costs of living with a disability





ABLE Accounts: 10 Things You Must Know

3) Am I eligible for an ABLE account?

Eligibility = **individuals
with significant
disabilities**

Age of onset before turning 26

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#3 Continued...

- **SSI and/or SSDI** = *automatically eligible*
- **No SSI and/or SSDI** = *eligible if you meet SSI criteria*
 - *Significant functional limitations*
- **Can be under 26 or over 26**
 - If over 26, documentation of onset needed
- **Proof of eligibility is on the individual and the IRS, not the state**
 - E.g. Taxes – you lie on your taxes it's perjury
 - Saves states administrative burden of collecting medical information
 - No HIPAA concerns



ABLE Accounts: 10 Things You Must Know

4) Are there limits to how much money can be put in an ABLE account?

– **Total annual contributions = \$14,000**

- Amount will be adjusted annually for inflation
- Gift Tax Exclusion: \$14,000 = maximum amount individuals can give & not pay taxes



#4 Continued...

– **Total limit over time = determined by state:**

- **SSI/Medicaid recipients = exempt from resource limit up to \$100,000**
 - Exceeding \$100,000 = loss of SSI eligibility/benefits
 - » Medicaid eligibility continues, however




ABLE Accounts: 10 Things You Must Know

5)

What can ABLE account funds be used for?

- Qualified disability expenses, related to individual's disability and made for his/her benefit, including:
 - Education
 - Housing
 - Transportation
 - Legal fees
 - Employment training and support
 - Assistive technology and personal support services
 - Health, prevention, and wellness
 - Financial management and administrative services
 - Expenses for oversight and monitoring
 - Funeral and burial expenses
 - Any other expenses approved by Secretary of the Treasury under regulations consistent with purpose of the program
- Expenditures for non-qualified expenditures will be penalized (tax and potential SSI penalties).



ABLE Accounts: 10 Things You Must Know

6) *Where do I go to open an ABLE account?*

- Each State will decide (U.S. Dept. of Treasury will guide)
 - Information required to open account
 - Documentation needed for account eligibility
 - Definition of "qualified disability expenses"



qual·i·fied

'kwälə ,fīd/
adjective




#6 Continued...

Once Regulations are in place:

- ✓ States are responsible for establishing/operating ABLE program
 - States may choose to contract with another state
- ✓ *No accounts can be established until regulations are finalized*
 - IRS interim guidance recently released





ABLE Accounts: 10 Things You Must Know

7) Can I have more than one ABLE account?

–No.

- The ABLE Act limits the opportunity to one ABLE account per eligible individual.





ABLE Accounts: 10 Things You Must Know

8) Will states offer options to invest the savings contributed to an ABLE account?

– Most likely:

- Similar to state 529 college savings plans
- Investment changes = two opportunities per year.





ABLE Accounts: 10 Things You Must Know

9) How many eligible individuals and families might benefit from establishing an ABLE account?

- U.S.A. = 58 million individuals with disabilities
 - Eligible for ABLE account = significant disability
 - ***Estimated at approx. 10% of 58 million***
 - » ***Approximately 5.8 million individuals & families nationwide***





#9 Continued...

How many eligible individuals and families might benefit from establishing an ABLE account in Alaska?

- There are approximately 137,700 individuals with disabilities in AK
 - Based on 2013 state population estimates
- **As many as 13,770* Alaskans with disabilities and their families could be impacted by ABLE**
 - Same calculation concept (10% of total number) used as the National Disability Institute regarding achieving the national approximate number
 - **Further analysis is needed to fully understand the size of this market, their needs for new savings accounts, and the overall impact to Alaskans with significant disabilities.*



ABLE Accounts: 10 Things You Must Know

10) How is an ABLE Account different than a special needs or pooled trust account?

- *More choice and control*
- *Low startup costs*
- *Account owner ability to control funds*



State Legislative/Regulatory Action

New law only alters federal rules to allow for ABLE accounts...

- *Each state must put regulations in place following the regulation development and guidance by the Treasury*
 - *Similar to other types of 529 plans*
 - *This enables financial institutions to make such accounts available in the given state*





Recent Updates

- 2015 - 35 states have passed ABLE Act related legislation or executive orders
- Alaska (effective date to be set by legislature)
 - HB 188 & SB 104 introduced last session





Recent Updates

- **November 20, 2015**
 - **IRS Guidance**
 - Categorization of distributions not required
 - Contributor Taxpayer ID's not required
 - Disability diagnosis certification permitted





Recent Updates

- ***December 17, 2015 – State residency requirement eliminated***
 - Quicker access to ABLE accounts
 - Increased competition = more investment options
 - First states to implement will likely get a large initial flurry of investors
 - May lead to additional incentives to stay in-state
 - Potential positives to Permanent Fund impact on benefits





Partners in Implementation

“National ABLE Resource Center”



crodriguez@ndi-inc.org

Questions?

Patrick Reinhart, Executive Director

**3601 C Street, Suite 740
Anchorage, Alaska 99503**

Toll Free: 1 (888) 269-8990

From Anchorage: (907) 269-8990

Fax: (907) 269-8995

<http://dhss.alaska.gov/gcdse/>

