

HB 133: ABLE UPDATE

House Labor and Commerce

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 account 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

FEDERAL 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

HB 133 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

HB 133 SECTIONAL ANALYSIS

SECTION I

- 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.

SECTION 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
- Expanded to include:
 - Contributions for the beneficiary or for a new individual who is a member of the family of the former beneficiary and an eligible individual under AS 06.65.100.

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

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

SECTION 7

- Replaces “higher education” with “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

- 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”
- Removes the allowance that education savings accounts can be used to pay for room and board when using funds for education costs as this language is already included in Section 14

SECTION 10

- Establishes AS 14.40.802(f)(3)
- ABLE participants were previously only able to change beneficiary of an account to eligible family members with 529 account or other ABLE account
- Participants are now able to change beneficiary of an account to any person, not just family members, who are eligible individuals
- A common reason that transfers happen is that the funds are no longer needed by original beneficiary
- Eligible individuals are defined as those with qualifying disabilities, including blindness

SECTION II

- Transfers between ABLE accounts is limitable by restrictions established AS 14.40.802(f) in Section 10
 - Limits are: Contribution does not exceed limit for contributions and the transfer is for the beneficiary or for an individual who is a member of the family of the former beneficiary and an eligible individual.
- ABLE Act limits the opportunity to one ABLE account per individual

SECTION 12

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

SECTION 13

- Defines “designated beneficiary” to have the same definition given in 26 U.S.C. 529(e)
- “Designated beneficiary” means:
 - “(A)the individual designated at the commencement of participation in the qualified tuition program as the beneficiary of amounts paid (or to be paid) to the program,
 - (B)in the case of a change in beneficiaries described in subsection (c)(3)(C), the individual who is the new beneficiary, and
 - (C)in the case of an interest in a qualified tuition program purchased by a State or local government (or agency or instrumentality thereof) or an organization described in section 501(c)(3) and exempt from taxation under section 501(a) as part of a scholarship program operated by such government or organization, the individual receiving such interest as a scholarship.”

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):
 - Qualified education expenses, in general, means:
 - tuition, fees, books, supplies, and equipment required for enrollment or attendance of a designated beneficiary at an eligible institution; expenses for special needs services if incurred in connection to enrollment or attendance; expenses for the purchase of a computer or peripheral equipment; room and board included for students who are at least half time.

SECTION 15

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

SECTION 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):
 - (2) “college savings plan” means a postsecondary education savings program or advance college tuition savings contract established under AS 14.40.802 — 14.40.817

QUESTIONS?