



NATIONAL RESOURCE CENTER
ACHIEVING A BETTER LIFE EXPERIENCE ACT



The ABLE Act: A Down Payment on Freedom

Michael Morris, Executive Director, National Disability Institute
December 5, 2018
The Arc of New Jersey



Presenter

Michael Morris

Executive Director and Founder

National Disability Institute

Agenda

- I. National Disability Institute
- II. Introduction: Promise of ADA
- III. History of ABLE
- IV. ABLE National Resource Center
- V. ABLE Basics
- VI. Changes to ABLE in 2018
- VII. ABLE Advisors
- VIII. A Case Study
- IX. Mainstream
- X. Quiz

I. National Disability Institute

Mission

The mission of National Disability Institute (NDI) is to drive social impact to build a better economic future for people with disabilities and their families through pioneering research, advocacy, policy development, public education, and innovative demonstration projects.



II. The Promise of the Americans with Disabilities Act

“...the Nation's proper goals regarding individuals with disabilities are to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for such individuals...”

III. 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: The Most Important Policy Change Since the ADA

1. Recognition by Congress that families raising a child and working-age adults with disabilities have extra significant costs associated with living with a disability.
2. Decouples the dual-pronged test of eligibility for Social Security benefits that requires proof of severe disability and inability to work to be eligible to open an ABLE account.
3. Excludes ABLE accounts from being counted as a resource for determining eligibility for means-tested federal benefits.
4. Change to person-centered program plan development to incorporate financial goal setting, use of ABLE accounts and development of financial literacy.

IV. ABLE National Resource Center

www.ablenrc.org

Tools

- Interactive Map
- Select a State Program
- Archived Webinars
- E-Newsletter
 - On the home page, click “Join Our Mailing List”
- Roadmap to ABLE



Roadmap to Enrollment

1. What is ABLE?
2. Who is Eligible?
3. What Can Funds Be Used For?
4. How Do I Manage My Account?
5. How Do I Enroll?



Roadmap to Independence

1. Setting My Financial Goals
2. Building a Circle of Support
3. Making Smart Financial Decisions
4. Monitoring My Account
5. Celebrating My Independence



V. ABLE Basics

- 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)*
- Enrollment is done online



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 ABLÉ account be used for?

- Distributions from an ABLÉ 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 ABLÉ 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), and others



ABLE programs that have launched

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

- ***We refer you to the ABLE National Resource Center to learn more about those specific states.***



VI. Changes to ABLE in 2018

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 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.



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 ABLÉ account owners who contribute to their own ABLÉ 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

- 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. 1st, 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 ABLÉ National Resource Center website at:

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

VII. ABLE Advisors

- Two Types of ABLE Account Owners
 - Parents of children with disabilities
 - Working-age adults with disabilities
- 2018 Group
- 2019 Application - Deadline



Parent of ABLE Account Owner: Lauren Hughes



Lauren is her son's strongest advocate. It is her number one job. That is why she opened an ABLE account in February 2017 for Steven, who has Trisomy 9 Mosaic a rare chromosomal disorder. Funds in Steven's account will be used to save for his future and to replace the family's aging van with a wheelchair accessible one.

"As a parent, ABLE has given me peace of mind in knowing I can set my son up financially for his current and future needs, without risking benefits. Creating an ABLE account is not time consuming, and very easy to do from the comfort of your own home. You really have nothing to lose and everything to gain. Even small contributions over time can have a significant impact on quality of life!" – Lauren Hughes



ABLE Account Owner: Katy Oliver



Katy is 28, works full time and is on the Medicaid Buy-In Program. She has cerebral-palsy and is using her ABLE account to save for disability related equipment and to build her dream HGTV quality accessible home.

“The process of getting an ABLE account is pretty painless. It seems counterintuitive to everything we have been told. I’m a living, breathing example that this does not count against you. I’m getting the same services as before. It doesn’t count against you and, unlike a trust, it isn’t expensive.” – Katy Oliver



ABLE Account Owner: Edward Mitchell



Edward is 31 and ABLE-eligible due to a spinal cord injury from a hit and run car accident when he was 17 years old. He has an MBA and is working two part-time jobs. He's using his ABLE account to save up for vehicle modifications and to finally move out of his parents house and into his own accessible housing.

"ABLE has allowed me to start saving without penalizing or jeopardizing my benefits. My parents worry what will happen to me when they are no longer able to help or they have died. ABLE gives them some peace of mind about my future. Plus, unlike a special needs trust that must be controlled by a trustee or trustees, ABLE gives me - a person with a disability - control over my finances and increased independence." – Edward Mitchell





Rachel Mast

ABLE Account Owner

Olathe, KS

Kansas ABLE Program

Rachel Mast is saving for college and her dream of owning a pink house.



Rachel Mast

- Rachel Mast is 19-years-old and graduated from Olathe South High School in May 2018. A savvy saver, she deposited all her birthday money into her Kansas ABLÉ account and is asking her friends and family to contribute to it for her graduation this year.
- This fall Rachel will be a student at the Johnson County Community College Clear program. She hopes to attend the Missouri State University Bear POWER program, a two-year inclusive college program for individuals with intellectual disabilities, beginning in January 2019.
- Rachel, who has Down syndrome, plans to use her savings to pay for college and the pink house she dreams of living in one day.
- Rachel played a pivotal role in getting ABLÉ passed in Congress, traveling to Washington, D.C. to speak with her congressmen and senators. She testified before the Kansas Legislature about the importance of ABLÉ, which led to her being the first person in Kansas to open an ABLÉ account.



Larry Angeli

Parent of ABL Account Owner Farmington Hills, MI MiABLE program
Larry Angeli is saving for his son's future living arrangements so that he can be as independent as possible.



Larry Angeli

- Larry Angeli, is the father of 21-year-old country music aficionado, world traveler and ABLE Account owner, Anthony.
- As soon as Anthony was born, his family started to save for his future by putting money into his 529 college savings account. This was prior to Anthony's disability diagnosis, as a young child, of Autism and pervasive developmental disorder not otherwise specified (PDD-NOS). While they still want to invest in Anthony's future, they are now unsure if college will be a part of that future.
- With this in mind, and trying to be prudent about Anthony's current and future needs, Larry's focus this year has been on rolling over the funds from his 529 college savings into his 529a ABLE account. It is of vital importance to Larry that he executes this properly so as not to put Anthony's benefits into jeopardy.
- Larry encourages other parents to be aware of the following if/when you do a rollover from a 529 college savings account to a 529a ABLE account:
 - Be sure that it is stipulated on the form as the "request reason" that this is a "qualified" distribution.
 - Be sure that the payment is being made to the ABLE account as a "Rollover" payment (i.e. you are not using the funds to pay college expenses) and you are simply rolling these funds over to another qualified plan.
 - Include the full information about where the money is going – both the company and the state plan names (e.g., In Larry and Anthony's case this would be Michigan's MiABLE program).



Regina Bradley

Parent of ABLE Account Owner

Buffalo, MO

Missouri's MO ABLE Program

Regina Bradley is saving so that both of her children will be able to live a comfortable life in their own homes someday. She hopes that the funds in their ABLE accounts will provide them with opportunities to travel, learn and take part in extracurricular activities as they grow older.



NATIONAL RESOURCE CENTER
ACHIEVING A BETTER LIFE EXPERIENCE ACT

Regina Bradley

- Regina and the Bradley Family opened their first Missouri ABLE account for their son Ayden's sixth birthday and have encouraged family and friends to contribute to the account instead of giving gifts.
- As a retired military family, the Bradleys are also a blended family. They have two adult biological daughters and a pair of six-year-olds who were adopted from the Ukraine in 2012.
- Both of their adopted children, Abby and Ayden, have Down syndrome. Abby has an ABLE Account just like her brother. Regina and her husband knew they wanted to adopt children with disabilities because other members of their family also have disabilities, including Regina's aunt and brother. Regina dedicates her life to advocating, not only for her children, but for all children with disabilities.
- The Bradleys are saving so that both of her children will be able to live a comfortable life in their own homes someday. She hopes that the funds in their ABLE accounts will provide them with opportunities to travel, learn and take part in extracurricular activities as they grow older.



IX. A Case Study

- The Case of Wanda



X. Mainstream by 4 Wheel City



To download the song, go to:

<http://www.realeconomicimpact.org/pages/mainstream>



4 wheel city



Mainstream - fourth VERSE:

Don't tell me about disparity got my every day clarity

Stop with the charity

Making it I will set me free

No hand out just hand up

thank you brother thank you sister no more first names call
me mister.

We are part of the economy so rap with me in harmony.

I can work I can dream I can be so mainstream.



XI. Quiz: Test Your Knowledge

“I Know ABLE”

1. If I have a Special Needs Trust, there is no reason for me to open an ABLE account. True or False?
2. If I am over 26 years of age with a disability, I am not eligible to open an ABLE account. True or False?
3. If I wanted to use funds to go on vacation, that is not a qualified disability expense. True or False?
4. There are little differences between state ABLE programs. True or False?



Quiz: Test Your Knowledge (continued)

5. I must decide to use my ABLE account for either short term qualified disability expenses or long term goals. I can't use funds in my account for both. True or False?
6. Less than 1% of ABLE-eligible individuals and families have opened an account. True or False?
7. More parents of minor age children than working-age adults with disabilities have opened ABLE accounts. True or False?



Quiz: Test Your Knowledge (continued)

8. BONUS QUESTION – What reasons have ABLE-eligible individuals and families explained for not opening an ABLE account?
- a) “I don’t want to lose benefits.”
 - b) “I am confused by the savings and investment choices.”
 - c) “I don’t like the Medicaid payback that will take all the money, when I die.”
 - d) “I want to open an account at my bank, rather than online.”
 - e) All of the above.



Quiz: Test Your Knowledge (continued)

9. FINAL JEOPARDY ANSWER – The first state to open ABLÉ accounts is also the state with the most accounts.

What is the question?



Thank You!

Michael Morris

Executive Director

mmorris@ndi-inc.org