



Congress Passes ABLE Act

Savings Accounts to Fund Care for Individuals with Disabilities

With overwhelming support, Congress has passed the ABLE Act of 2014 (Achieving a Better Life Experience), providing a new opportunity for qualified individuals with special needs and disabilities to have tax-free savings accounts that will support their health and independence while preserving their means-tested government benefits. On December 3rd the House passed ABLE on a vote of 404-17. It was then merged with the Tax Increase Prevention Act of 2014 (H.R. 5771), which also passed the House and on December 16 was approved by the Senate on a vote of 76 to 16. President Obama is expected to sign the legislation into law. The tax bill would extend a number of tax relief provisions that have or would have expired this year.

“We are pleased to see that this bipartisan legislation is now on its way to the President’s desk,” comments Richard A. Courtney, president of the Special Needs Alliance (SNA), a nonprofit comprised of attorneys who assist families with special needs planning. “Our members serve individuals with disabilities and their families every day, and some of them could clearly benefit from an ABLE account. We look forward to working with other advocacy organizations to educate the public on how and when they can best use this new tool.

“A great deal of credit must be given to the persistence of the bill’s congressional sponsors, Rep. Ander Crenshaw (R-FL) and Sen. Bob Casey (D-PA), as well as to the National Down Syndrome Society, The Arc, Autism Society, Easter Seals, and many other groups that worked tirelessly for the passage of this bill.”

Beginning in 2015, states may choose to develop programs enabling persons with disabilities to establish accounts modeled on the popular 529 college savings plans. Certain balances and disbursements will not be considered when establishing an individual’s eligibility for such means-tested government benefits as Medicaid and Supplemental Security Income (SSI). Funds can be used for approved healthcare, education, housing, personal support and other care expenses. The first \$100,000 in an ABLE account will not adversely affect the individual’s eligibility for SSI.

To qualify, the onset of the individual’s disability must have occurred prior to the age of 26. [Only one ABLE account may be established for each qualified person with special needs.](#) Total annual contributions cannot exceed the federal gift tax limit (\$14,000 as of

2014), while total contributions are capped at the limit established by each state for its 529 accounts. Although contributions are not tax-deductible, income earned by such accounts will not be taxed. Funds remaining in the account at the beneficiary's death must first be used to repay Medicaid expenses incurred.

SNA will provide information and resources to individuals and groups to help them understand how this new law, as well as traditional special needs trusts (SNTs) and other techniques, can provide for the needs of persons with disabilities.

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