



How ABLE Accounts Can Work Effectively With Section 8 Housing

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One of the many benefits of utilizing an ABLE account for individuals with special needs is the ability to save and invest funds without losing eligibility for public benefits programs like Medicaid, SSI or SSDI. The earnings in an ABLE account are not subjected to federal income tax, provided they are spent on qualified expenses. However, the U.S. Department of Housing and Urban Development (HUD) had been silent on how money in these accounts would affect enrollees in its housing assistance programs, including Section 8, until 2019.

With the updated 2019 guidelines from HUD on housing, additional assistance for individuals with special needs is a positive step towards making housing a more affordable prospect. Because many people with special needs rely on support through public assistance or rental assistance programs, this service is an invaluable benefit provided by the federal government. As a general rule, eligibility is based on annual gross income, with established income limits based on area and family size.

In calculating housing costs for individuals with special needs, HUD will disregard the funds held in an ABLE account, which will result in a more favorable outcome for the individual seeking housing. The income and assets in an ABLE account will be excluded in the household's assets, and distributions from the ABLE account will not be treated as income. However, HUD will continue to treat all wage income received as income, regardless of whether the income is paid into an ABLE account. The notice specifies that wage income earned by a third party, such as a family member or friend, which is distributed into an ABLE account will not count against the ABLE account holder.

For many individuals the reduction in SSI caused by a 3rd party, including a trust, subsidizing housing expenses is not a concern, and they are able to use their special needs trust to pay for housing and living costs. However, if they are living in Section 8 subsidized housing, then their Section 8 housing subsidy could be reduced depending on how the money is spent. Now, however, if the ABLE account is used to pay either the housing subsidy or any other bills, it will not be counted against them as income per the 2019 guidelines.

The bottom line is that an ABLE account can be used in combination with Section 8 housing to provide affordable and adequate housing for an individual with special needs, which will aid in one of the most stressful parts of life. This change by HUD opens up a tool in the toolbox by using ABLE account without jeopardizing the eligibility of the individual with special needs to receive federal housing support.

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