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## ABLE Act: Benefitting Our Community

TAX

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Recently, Congress passed the ABLE (Achieving a Better Life Experience) Act, and President Obama signed it into law on December 19, 2014. This Act encourages individuals and family members to save funds to support individuals with disabilities. States are currently working through state-specific rules and implementation.

The Act creates tax-favored savings accounts for individuals with disabilities for tax years beginning after December 31, 2014. ABLE amends the federal tax code to allow tax-free savings accounts to help finance disability-related needs, without jeopardizing eligibility for state medical assistance. The accounts are similar to Section 529 college savings accounts. An eligible beneficiary would be a child who meets the Supplemental Security Income (SSI) program's disability standard for children or an adult who meets the SSI program's disability standard for adults, provided that the adult's disability occurred before he reached age 26.

Any contributor—such as a family member, a friend or the disabled person—could establish an ABLE account for an eligible beneficiary. An eligible beneficiary could have only one ABLE account, which must be established in the state in which he resides (or receives services). Individuals with disabilities would be limited to one ABLE account; and total annual contributions by all individuals to any one ABLE account could be made up to the gift tax exclusion amount. For 2015, the gift tax exclusion amount is \$14,000.

Qualified distributions include amounts used to cover medical expenses as well as costs of education, transportation, housing and certain other expenses. Distributions used for nonqualified expenses would be subject to income tax on the portion of the distributions attributable to earnings from the account, plus a 10% penalty. Earnings on an ABLE account and distributions from the account for qualified disability expenses would not count as taxable income of the contributor or the eligible beneficiary.

For more information, visit the [Congress' webpage on the ABLE Act of 2014](#).

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