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CLIENT ALERT

ACHIEVING A BETTER LIFE EXPERIENCE (ABLE)
ABLE Account for Disabled Persons

The new law allows states to create "Achieving a Better Life Experience" (ABLE) accounts, which are tax-free accounts that can be used to save for disability-related expenses, On January 11, 2016, Governor Christie signed enabling legislation for New Jersey Residents. Here are the key features of ABLE accounts:

- ABLE accounts can be created by individuals to support themselves or by families to support their dependents.

- There is no federal taxation on funds held in an ABLE account. Assets can be accumulated, invested, grown and distributed free from federal taxes. Contributions to the accounts are made on an after-tax basis (i.e, contributions aren't deductible), but assets in the account grow tax free and are protected from tax as long as they are used to pay qualified expenses.

- Money in ABLE accounts can be withdrawn tax free if the money is used for disability-related expenses. They include education, housing, transportation, employment support, health, prevention, and wellness costs, assistive technology and personal support services, etc.

- Each disabled person is limited to one ABLE account, and total annual contributions by all individuals to any one ABLE account can be made up to the gift tax exclusion amount ($14,000 in 2015, adjusted annually for inflation). Aggregate contributions are subject to the State limit for education-related Section 529 accounts.

- Eligible individuals must be blind or severely disabled, and must have become so before turning 26.

- The first $100,000 in ABLE account balances is exempted from being counted toward the SSI program's $2,000 individual resource limit.

- Upon the death of an eligible individual, any amounts remaining in the account (after any reimbursements to Medicaid) will go to the deceased's estate or to a designated beneficiary and will be subject to income tax on investment earnings, but not to a penalty.

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