The Achieving a Better Life Experience (ABLE) Act

Twenty-five years after the signing into law of the Americans with Disabilities Act (ADA), the door has opened to a new pathway toward independence and a better quality of life for millions of individuals with disabilities and for their families.

On December 19, 2014, President Barack Obama signed into law the Achieving a Better Life Experience (ABLE) Act. The ABLE Act was first introduced in the 113th Congress by a bipartisan set of Congressional champions. It was passed in the U.S. House of Representatives (404-17) on December 3, 2014. Two weeks later, on December 16, the U.S. Senate voted to pass the ABLE Act as a part of the Tax Extenders package.

The Act amends the Internal Revenue Service code to establish tax-exempt savings accounts—called ABLE Accounts—to assist an individual with a disability, or a family raising a child with a disability in building an account to pay for qualified expenses. Qualified expenses include those related to higher education, housing, transportation, employment, health and wellness, technology and other personal support services. By allowing families and individuals with disabilities to set aside funds for potential future needs, the ABLE Act helps people with disabilities secure a better quality of life.

The funds in an ABLE account are meant to be used to supplement, but not replace, benefits provided through private insurances, the Medicaid program, the Supplemental Security Income program, the beneficiary’s employment and other sources.

With an ABLE account, contributions made can serve as a “down payment on freedom” as parents raising a child with a disability, or a working age adult with a disability, set financial savings goals and make informed decisions on investment choices.

Beginning no later than mid-2016, millions of eligible Americans with disabilities will have a choice among multiple state ABLE programs in which to open an ABLE account. These tax-advantaged savings accounts will help individuals with disabilities save funds to meet their shorter and longer term financial goals aimed at helping them maintain or increase their health, independence and/or quality of life. When funds are withdrawn from an account to pay for qualified disability expenses, income earned by the accounts from investment of the funds will not be taxed. Additionally, and perhaps most importantly, the funds in the ABLE account, distributed for qualified expenses, will not be taken into consideration when determining the beneficiary’s eligibility for various means tested federally-funded supports, such as Supplemental Security Income (SSI) and Medicaid.

There are two types of individuals who are eligible for an ABLE account: 1) individuals with a significant disability with the age of onset occurring before the age of 26 and who are receiving Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) benefits and 2) individuals with an onset of disability before age 26 and certified as meeting conditions similar to that required by SSI or SSDI in terms of the severity of their disability. If the ABLE account beneficiary qualifies because of certification, eligibility for an ABLE account cannot be used to secure SSI or Medicaid benefits.

If the beneficiary is receiving SSI, monthly benefits will be suspended when the assets in the ABLE account exceed $100,000. . When the assets in the ABLE account drop back below the $100,000 threshold, SSI benefits resume without requiring the beneficiary to reapply for benefits.

Although ABLE account beneficiaries may temporarily lose SSI benefits if the account exceeds $100,000, beneficiaries do not lose Medicaid eligibility. It is important to note that upon the death of the beneficiary, the state Medicaid agency may file claim to the remaining funds in the ABLE account for Medicaid related services rendered to the beneficiary beginning at the time that their ABLE account was established.

Contributions to an ABLE account can be made by any individual and are not tax deductible, however some states have chosen to offer state income tax deductions for contributions made to an ABLE account. Additionally, income earnings by the account and account withdrawals are not taxable, provided that they are spent on qualified disability related expenses.

Any given ABLE account may only accept up to $14,000 in total contributions in any given tax year. This amount, which reflects the maximum amount under current tax law that individuals can make as a gift to someone else and not pay taxes, may be adjusted periodically for inflation. The total amount over time that can be made to an ABLE account will be subject to the state in which the beneficiary has the account. Many states have set this limit at more than $300,000 per plan.

Individuals can contribute cash into the ABLE account. If an individual wants to use a stock, he or she must convert the stock to cash first.

ABLE accounts will be characterized by limited investment direction. Account contributors or designated beneficiaries are limited by the ABLE Act to change their investment choices for an account up to two times per year. Like 529 college savings accounts, the range of investment options available for ABLE accounts will be determined by the states. Each individual and family will need to project possible future needs and costs over time and to assess their risk tolerance for possible future investment strategies to grow their savings.

There are 58 million individuals with disabilities in the United States. It is likely that more than 5 million individuals with disabilities and their families will be eligible to establish ABLE accounts, and more will become eligible each year based on an assessment of significant disability at birth or in early years, as well as a result of acquired disability. Many of these individuals and their families depend on public benefits for income, health care and food and housing assistance. Often, to remain eligible for these public benefits, an individual must document that he or she has no more than $2,000 in cash savings, retirement funds and other items of significant value. For the first time in public policy, individuals and families with disabilities are being encouraged and assisted in saving funds that will help improve their quality of life—without losing their eligibility for SSI, Medicaid and other public benefits. New financial products will need to be developed to meet consumer demand for new savings and investment products.

The ABLE National Resource Center (ANRC) was founded by National Disability Institute (NDI) to provide ABLE stakeholders with consistent, reliable information concerning the benefits of ABLE programs and accounts.

The ANRC is a collaborative that brings together the investment, support and resources of some of the country's most influential disability organizations in an effort to accelerate the design and availability of ABLE accounts nationwide.

The ANRC website offers the latest information on ABLE, such as state-by-state program updates, informational videos, archived webinars, published research, policy summaries and frequently asked questions (FAQs).

Visit the ANRC website to learn more about the ABLE Act and ABLE accounts.

NDI has long championed the ABLE Act as a critical strategy to providing a pathway to a better economic future for all people with disabilities. As the nation's first nonprofit dedicated to improving the financial health and future of all people with disabilities, the organization has extensively documented and called attention to the daily reality and extra expenses associated with living with a disability, and the challenges of navigating the complex web of government rules to maintain public benefits eligibility.