

The ABLÉ Act and CalABLE: *Providing People with Disabilities Greater Financial Security*

California Achieving a Better Life Experience (CalABLE) is a new program that will allow people with disabilities to establish a tax-advantaged **ABLE account** that allows them to save up to \$100,000 without losing public benefits such as SSI, SSDI and Medi-Cal. Earnings in these accounts are not subject to federal income tax or California state income tax, as long as earnings are spent on Qualified Disability Expenses. Prior to the federal **ABLE Act**, an individual receiving benefits from a public program was not able to save more than \$2,000 without their benefits being suspended.

Background

- ✚ In 2014, President Obama signed the Stephen Beck, Jr. **Achieving a Better Life Experience Act** (IRC Section 529A).
- ✚ In 2015, the California State Legislature created the **California Achieving a Better Life Experience Board (CalABLE)** to implement the ABLÉ program in California.

Eligibility Requirements

To be eligible to establish an **ABLE or CalABLE** account, an individual must be diagnosed with a disability prior to age 26. In addition, the individual must meet at least one of the following criteria:

- ✚ Be entitled to Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) because of their disability; or
- ✚ Be able to provide "self-certification" of their disability and diagnosis. This means the individual has a written, signed diagnosis from a licensed physician which is available upon request.

Account Contributions

Contributions to an ABLÉ account are currently limited to \$14,000 per year, and can be made by family, friends, or the beneficiary themselves. The account's earnings are allowed to accumulate tax-free, and the withdrawals, provided they are applied to qualifying disability expenses, are also tax-free.

Qualified Disability Expenses

An expense is considered "qualified" when it relates to the person's disability and helps them maintain or improve their health, independence, or quality of life. Qualified Disability Expenses are not restricted to medical expenses. They may include basic living expenditures such as expenses for education, housing, transportation, employment support, health, prevention and wellness, assistive technology, financial services, home improvement and funeral services.



CalABLE Account Features & Timeline

The CalABLE Board is working to determine California account features and benefits, such as:

- ❖ Ability to contribute automatically through routine deductions from a bank account;
- ❖ Ability to invite friends and family to contribute directly to your account;
- ❖ Deposit online or by check; and
- ❖ Diverse investment options.

CalABLE accounts are expected to be available in summer 2017.



For more information, see the CalABLE web site at: <http://www.treasurer.ca.gov/able/>.

ABLE Accounts Available Now

A few states are already operational (including Alabama, Alaska, Florida, Illinois, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, North Carolina, Ohio, Oregon, Tennessee, Vermont and Virginia) and out-of-state residents may open an ABLE account in certain states. Online enrollment is free in some states, however each program has different fees and costs associated with it. **California residents** should shop each state's program to determine which best fits their needs; a tool comparing programs can be found at this site: <http://www.theablealliance.org/compare-page>.