

The ABLE 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 ABLE program in California.

Eligibility Requirements

To be eligible to establish an **ABLE or CalABLE** account, an individual must have a disability which began before 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 ABLE account are currently limited to \$15,000 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.

Recent updates that impact account contributions include the following:

ABLE to Work Act: ABLE account owners who work may be eligible to contribute over the \$15,000 annual contribution limit, up to an additional \$12,490, depending on their gross income. These additional allowed contributions would be limited to those made by the account owner.

ABLE Financial Planning Act: Funds in a 529 college savings account may now be rolled over to an ABLE account without incurring any tax or penalty, provided the beneficiary is the same on both accounts. Any transferred funds are still subject to the ABLE annual contribution limit.



Saver's Credit: ABLER account owners who contribute their own income into their ABLER account may be eligible to take advantage of the Retirement Savings Contributions Tax Credit or "Saver's Credit." More information about the Saver's Credit, including eligibility requirements, is available on the [IRS web site](#).

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

The CalABLE Board has determined California account features and benefits, including:

- ❖ Ability to contribute automatically through routine deductions from a bank account;
- ❖ Deposit online or by check, including contributions from family members and/or friends;
- ❖ Use of a prepaid debit card; and
- ❖ Competitive fees and diverse investment options.

Go to CalABLE.ca.gov for more information about how to open an account and investment options/fees.

Legislation that has been signed by the Governor outlines the following important elements:

- ❖ A California resident's CalABLE account will not be subject to recovery by Medi-Cal (SB 218).
- ❖ CalABLE will be a national program, allowing participation of non-California residents (AB 384).
- ❖ CalABLE accounts are exempt from enforcement of money judgements (AB 688).



CalABLE recently partnered with the National Disability Institute to create **AchievABLE Corner**, a resource for individuals/families; go to <https://www.nationaldisabilityinstitute.org/achievable-corner>.

ABLE Programs Across the U.S.

Many states have ABLER programs that allow out-of-state residents to open an ABLER account. California residents who want to learn more should shop each state's program to determine which best fits their needs; a tool comparing programs can be found at: <http://www.ablenrc.org/compare-states>.