



## *Frequently Asked Questions about the ABLE To Work Act*

### **What is the ABLE to Work Act?**

The ABLE to Work was signed into law on December 22, 2017. Beginning January 1, 2018, and through the end of 2025, it allows an employed ABLE beneficiary who does not participate in an employer pension plan to contribute an additional amount above the \$15,000 limit, up to the lesser of (a) the Federal poverty line for a one-person household (currently \$12,060); or (b) the individual's compensation for the taxable year. In addition, such contributions are eligible for the Saver's Credit, an existing federal tax credit that low and middle-income individuals can currently claim when they make contributions to a retirement account.

### **What is an ABLE account?**

An ABLE account is a tax-advantaged savings account that qualified individuals with disabilities may open as a result of the passage of the ABLE Act of 2014 and subsequent enactment of state ABLE laws. Contributions to ABLE accounts are made on an after-tax basis. Earnings from ABLE funds grow tax-deferred and are tax-free if used for qualified disability expenses. Contributions to the account may be made by any person (the account beneficiary, an employer, family and friends) and may or may not be tax deductible depending on the specifics of the state ABLE law. Funds in the account may be used for many different types of expenses. The beneficiary is the owner of the account, but legal guardianship and powers of attorney will permit others to control ABLE funds in the event that the beneficiary is unwilling or unable to manage the account.

### **How will the ABLE to Work Act incentivize employment?**

ABLE to Work will bring people with disabilities out of poverty and incentivize them to work by permitting them to save their earnings in an ABLE account, and allow them to become less dependent on government supports. People with disabilities will be able to work and contribute to their accounts (up to \$27,060 in 2018) without the risk of losing their benefits due to asset limitations.

### **How do assets in ABLE accounts affect eligibility for SSI and Medicaid?**

Any amounts in an ABLE account, and any distribution for qualified disability expenses, shall be disregarded for purposes of determining eligibility to receive, or the amount of, any assistance or benefit authorized by any Federal means-tested program. However, in the case of the SSI program, a distribution for housing expenses is not disregarded, nor are amounts in an ABLE account in excess of \$100,000. In the case that an individual's ABLE account balance exceeds \$100,000, such individual's SSI benefits shall not be terminated, but instead shall be suspended until such time as the individual's resources fall below \$100,000. However, such suspension shall not apply for purposes of Medicaid eligibility.

## **Does the ABLE to Work Act create additional administrative burdens on ABLE beneficiaries?**

The ABLE to Work language does not impose any new recordkeeping requirements or administrative burdens on ABLE beneficiaries. The IRS requires employers to report compensation information for employees on Form W-2, a copy of which is provided to the employee. To meet the requirements of the ABLE to Work Act, an ABLE beneficiary simply needs to maintain a copy of the W-2 Form in the same way it is required to be maintained for tax records.

## **Under the ABLE to Work Act, does the earned income of the account owner that is directly deposited into their ABLE account count against the account owner's eligibility for benefits such as Supplemental Security Income (SSI) or Medicaid?**

Neither the original ABLE Act nor the ABLE to Work Act allow any income deposited in an ABLE Account to be exempt from the income limitations related to eligibility for SSI and Medicaid benefits. Funds in an ABLE Account are only exempt from the asset limitations related to benefits eligibility, to the extent that they are within the limitations established by the ABLE Act and state implementing laws and regulations.

## **What safeguards exist to insure that, after the overall limitation on contributions is reached (\$15,000 in 2018), additional contributions allowed under the ABLE to Work do not exceed the allowable amount?**

Under the ABLE to Work Act, after the overall limitation on contributions is reached, the designated beneficiary of the ABLE account may contribute an additional amount, up to the lesser of the Federal poverty line (currently \$12,060) or the individual's compensation for the taxable year. After the \$15,000 overall limit is reached, only the ABLE beneficiary can contribute additional amounts to the account.

ABLE administrators currently reject excess contributions above the \$15,000 overall limitation, and the same infrastructure can be used to reject excess contributions above the \$27,060 maximum allowed under the ABLE to Work Act (\$15,000 overall plus \$12,060). NDSS has initiated discussions with ABLE administrators on the simplest way to modify the existing infrastructure to account for additional contributions that could flow into ABLE accounts beginning this year.

## **What is the Saver's Credit?**

The Saver's Credit is an existing federal tax credit that low and middle-income individuals can currently claim when they make contributions to a retirement account. Under the ABLE to Work Act, contributions to an ABLE account can qualify for the credit.

## **Where can I learn more about the ABLE Act and ABLE accounts?**

You can find more information on our website at [ABLE Act: Frequently Asked Questions](#).

For more information on ABLE to Work, the ABLE Act or NDSS' legislative priorities, please contact Ashley Helsing, NDSS Director of Government Relations, by phone at 202-766-2407 or by email at [ahelsing@ndss.org](mailto:ahelsing@ndss.org).