ABLE National Resource Center
Achieving a Better Life Experience Act

ABLE TO WORK ACT

If you are a person who works and has a disability, there is an exciting opportunity for you to build assets and grow your financial independence by saving money in an ABLE account. Although up to $19,000 per year may be contributed into an ABLE account for ABLE account owners who do not work, ABLE account owners who do work have the opportunity to save even more in an ABLE tax-advantaged account.

The "ABLE to WORK" provision, passed as part of the Tax Cuts and Jobs Act of 2017, allows certain ABLE account owners who work and earn income to contribute above the annual ABLE contribution limit. To be eligible, the ABLE account holder, or their employer, cannot contribute into a defined contribution plan such as 401(a), 403(a) or 401(k) plan; an annuity such as a 403(b) contract; or an eligible, deferred compensation plan, such as a Section 457(b) plan in the calendar year.

If they meet this eligibility rule, the ABLE to Work provision allows ABLE account owners to save an additional amount from whichever is less:

- The account owner's gross income for that taxable year, **or**
- $15,560 if they live in the continental United States; $18,810 if they live in Alaska; or $17,310 if they live in Hawaii.

An ABLE account owner may contribute any combination of earned or unearned income subject to the above limits. This means that an ABLE account owner can potentially save up to $30,590 (continental U.S.) in an account which grows tax-free. The additional contribution is based upon the federal poverty level (FPL) in the ABLE account owner's state of residence for the preceding tax year, an amount that traditionally increases each year. Some, but not all, ABLE plans may require an ABLE account owner to complete a form to certify that they are eligible for the increased contribution. If you continue to be eligible, contributions may be made each year through the end of 2025 when the ABLE to Work Act is set to expire.

It's important to remember that there is no change in the way the income of the ABLE account owner is counted by means-tested benefit programs. Earnings from employment are still counted as earned income or in terms of substantial gainful activity (SGA) and is taken into consideration when determining eligibility for certain public benefits such as Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), Medicaid or others. Although third-party contributions to an ABLE account are not counted as "income," they are not acceptable as additional contributions under ABLE to Work.

The first $100,000 saved in an ABLE account is not counted by the SSI program as a resource/asset. ABLE savings above this amount are counted along with non-ABLE savings and may result in a suspension of SSI payments when the SSI resource limit is exceeded. If this occurs, Medicaid and other means-tested benefits are never affected. SSI, Medicaid and other means-tested benefits ***will*** be affected, however, if ***non***-ABLE savings ***alone*** exceed the resource limit.

An ABLE account owner who works is subject to the same Internal Revenue Service (IRS) tax filing rules as other workers; there are no new record keeping requirements under the ABLE to Work Act. An added bonus to this tax reform is the expansion of the "Saver's Credit" for ABLE account owners who contribute into their own ABLE account. An ABLE account owner who works may be eligible for a tax credit of up to a $2,000 for contributions from their income saved within their ABLE account.

To find out if you need to file a tax return, use the Interactive Tax Assistant tool on the Internal Revenue Service website. Visit the IRS website for options to prepare and file your tax return free of charge or to get answers to tax questions.

WHO CAN CONTRIBUTE TO AN ABLE ACCOUNT?

Any person, including the ABLE account owner, their family or friends, a corporation, trust or other legal entity may make contributions to their ABLE account. The annual contribution limit is currently $19,000 per year from all sources, however, an employed ABLE account owner may be able to contribute more.

An employer can also contribute to an employee's ABLE account. This is a taxable income event for the ABLE account owner/employee and would be reflected on the employee's W-2. It is advisable to consult a Certified Work Incentives Coordinator (CWIC) to learn about the impacts, if any, on any public benefits received. To find a CWIC at no cost to you, visit the Ticket to Work website.

FUNDING AN ACCOUNT

Contributions into an ABLE account must be made in U.S. dollars. Cash is not accepted by any ABLE plan. The following are common contribution methods:

- Check, money order or cashier's check,
- Electronic funds transfer (EFT) from a bank account, including wire transfers,
- Payment using a credit card,
- Payroll deductions to your ABLE account (check with your employer),

- Through a rollover or plan-to-plan transfer from another qualified ABLE plan or 529 account,
- Ugift – you provide a code from your ABLE account and invite family and friends to contribute online through an EFT or by mailing in a gift coupon with a check,
- A gift card purchased through the Gift of Independence,
- Income tax refunds, unemployment insurance and stimulus payments, and
- Those who do not have a representative payee may deposit a portion of their SSI and or SSDI benefits into an ABLE account.

Check with your state ABLE plan as the methods of contribution may vary.

A RECOMMENDED PRACTICE: *SET IT AND FORGET IT* WITH ELECTRONIC TRANSFERS OF FUNDS

Pre-scheduling contributions is a great way to contribute into an ABLE account. Some options are below:

- If your paycheck is not already directly deposited into your personal checking or savings account, you may want to check with your Human Resources Department and do this first. Next steps include:
    - Visit your state ABLE plan online and look for a link to “automatic contributions” or “transfers.” If you cannot find the link, contact your state ABLE plan for assistance and follow their instructions.
    - Set up automated withdrawals from your personal bank account for direct deposit into your ABLE account. You can set this up either one time or through recurring contributions. With many ABLE plans, you can enter a “start date,” the amount and the frequency in which you want the contributions to be made.
    - If you or your employer prefer to use paper forms, you can usually find them along with instructions through the forms and publications page on your state ABLE plan website.
- Contributions will be allocated to one (or more) of the savings and investment choices, depending upon the choices you made with your state ABLE plan.

If you have questions, it is always recommended that you talk with a representative at your ABLE plan for answers and guidance.

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