Achieving a Better Life Experience (ABLE) IRS Release 2018-139

IR-2018-139, June 15, 2018

WASHINGTON – People with disabilities can now put more money into their tax-favored Achieving a Better Life Experience (ABLE) accounts and may, for the first time, qualify for the Saver's Credit for low- and moderate-income workers, according to the Internal Revenue Service.

The Tax Cuts and Jobs Act, the tax reform legislation enacted in December, made major changes to the tax law for 2018 and future years, including increasing the standard deduction, removing personal exemptions, increasing the Child Tax Credit, limiting or discontinuing certain deductions and changing tax rates and brackets.

The new law also enables eligible individuals with disabilities to put more money into their ABLE accounts, qualify for the Saver's Credit in many cases and roll money from their 529 plans -- also known as qualified tuition programs -- into their ABLE accounts.

States can offer specially designed ABLE accounts to people who become disabled before age 26. Recognizing the special financial burdens faced by families raising children with disabilities, ABLE accounts are designed to enable people with disabilities and their families to save for and pay for disability-related expenses. Though contributions are not deductible, distributions, including earnings, are tax-free to the designated beneficiary if used to pay qualified disability expenses. These expenses can include housing, education, transportation, health, prevention and wellness, employment training and support, assistive technology and personal support services and other disability-related expenses.

Normally, contributions totaling up to the annual gift tax exclusion amount, currently $15,000, may be made to an ABLE account each year for an eligible person with a disability, known as a designated beneficiary. But, starting in 2018, if the beneficiary works, the beneficiary can also contribute part or all of what they make to their ABLE account.

This additional contribution is limited to the poverty line amount for a one-person household. For 2018, this amount is $12,140 in the continental U.S., $13,960 in Hawaii and $15,180 in Alaska. However, the designated beneficiary is not eligible to make this additional contribution if their employer contributes to a workplace retirement plan on their behalf.

In addition, starting in 2018, ABLE account beneficiaries can qualify for the Saver's Credit based on contributions they make to their ABLE accounts. Up to $2,000 of these contributions qualify for this special credit designed to help low- and moderate-income workers. Claimed on Form 8880, Credit for Qualified Retirement Savings Contributions, this credit can reduce the amount of tax a person owes or increase their refund. Like other IRS tax forms, Form 8880 will be revised later this year to reflect changes made by the new law.

In addition, some funds now may be rolled into an ABLE account from the designated beneficiary's own 529 plan or from the 529 plan of certain family members.

Like other workers, ABLE account beneficiaries and other people with disabilities should make sure they are having the right amount of income tax withheld from their pay. Because of the far-reaching tax changes taking effect this year, the IRS urges all employees to perform a paycheck checkup now. Doing so now will help avoid an unexpected year-end tax bill and possibly a penalty. The easiest way to do that is to use the fully-accessible Withholding Calculator, available on IRS.gov.

More Information:

- ABLE Accounts
- Tax Reform

ABLE Accounts - Tax Benefit for People with Disabilities

The Achieving a Better Life Experience (ABLE) Act of 2014 allows states to create tax-advantaged savings programs for eligible people with disabilities (designated beneficiaries). Funds from these 529A ABLE accounts can help designated beneficiaries pay for qualified disability expenses. Distributions are tax-free if used for qualified disability expenses.

The Tax Cuts and Jobs Act of 2017:

- Increases the amount of contributions allowed to an ABLE account and adds special rules for the increased contribution limit.
- Allows an ABLE account's designated beneficiary to claim the saver's credit for contributions to the account.
- Allows rollovers in limited amounts from a 529 qualified tuition program account of the designated beneficiary to the ABLE account of the designated beneficiary or his or her family member.

More about the increased contribution limit

In addition to the annual limit of $15,000 (the gift tax exclusion amount for 2018), a designated beneficiary who works may also contribute his or her compensation up to the poverty line amount for a one-person household. A designated beneficiary can't contribute this additional amount if his or her employer made a contribution for him or her to a:

- 401(a) defined contribution plan or 403(a) annuity contract
- 403(b) annuity contract
- 457(b) eligible deferred compensation plan

More about rollovers from qualified tuition programs

Funds from a designated beneficiary's qualified tuition program (also known as a 529 plan) may be rolled into an ABLE account of the designated beneficiary or of his/her family member. The permissible rollover is limited in amount.

More information

For more information on ABLE accounts, see Publication 907, Tax Highlights for Persons With Disabilities.

Guidance

- Tax Cuts and Jobs Act
- Consolidated Appropriations Act of 2016.Notice 2015-81 (IR-2015-130, Nov. 20, 2015)
- Proposed regulations (IR-2015-91, June 19, 2015)
- The Stephen Beck, Jr., Achieving a Better Life Experience Act (ABLE Act)

Forms:

ABLE programs use Form 1099-QA, Distributions from ABLE Accounts, and Form 5498-QA, ABLE Account Contribution Information, to report relevant account information annually to designated beneficiaries and the IRS. Instructions are available for both forms.

Savers Credit:

You may be able to take a tax credit for making eligible contributions to your IRA or employer-sponsored retirement plan.

Who's eligible for the credit?

You're eligible for the credit if you're:

1. Age 18 or older;
2. Not a full-time student; and
3. Not claimed as a dependent on another person's return.

See the instructions for Form 8880, *Credit for Qualified Retirement Savings Contributions*, for the definition of a full-time student.

Amount of the credit

The amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to $2,000 ($4,000 if married filing jointly), depending on your adjusted gross income (reported on your Form 1040 or 1040A). Use the chart below to calculate your credit.

*Single, married filing separately, or qualifying widow(er)

2018 Saver's Credit

Credit Rate	**Married Filing Jointly**	**Head of Household**	**All Other Filers***
50% of your contribution	AGI not more than $38,000	AGI not more than $28,500	AGI not more than $19,000
20% of your contribution	$38,001 - $41,000	$28,501 - $30,750	$19,001 - $20,500

10% of your contribution	$41,001 - $63,000	$30,751 - $47,250	$20,501 - $31,500
0% of your contribution	more than $63,000	more than $47,250	more than $31,500