



Implementing the ABLE Act in Arizona

2017 Update

What? The Achieving a Better Life Experience (ABLE) Act (H.R. 647), a bipartisan bill passed on December 19, 2014, amends the federal tax code to allow Section 529 tax-exempt savings accounts for disability-related expenses. This allows earnings to grow tax deferred and withdrawn tax free when used for qualified disability expenses. Account contributions are limited to \$14,000 per year. Contributions would not count against someone's eligibility for food stamps or the Arizona Health Care Cost Containment System, better known as AHCCCS. Once an ABLE account reaches \$100,000, however, Security Supplemental Insurance (SSI) or Social Security Disability Insurance (SSDI) payments will be suspended until the account falls back under \$100,000.

Total account assets under \$100,000 are excluded from Social Security disability determination, but this varies by state. Some states are opting to cap assets at more than \$400,000. In Arizona, the cap will be \$431,000. These accounts must be owned by the person with a disability with an age of onset of disability before 26.

One program's benefits aren't sheltered forever. When an individual with an ABLE account dies, the state's Medicaid program, which in Arizona is under AHCCCS, can file a claim to receive reimbursement of the balance of an account if the state paid for the account owner's medical costs incurred after the account was opened.

Why? Millions of individuals with disabilities and their families depend on a wide variety of public benefits for income, health care, and food and housing assistance, but these individuals are ineligible for benefits if they have more than \$2,000 cash savings and retirement funds. However, the ABLE Act recognizes the significant costs of disability, including raising a child with significant disabilities, and the costs of accessible housing and transportation, personal assistance services, and assistive technology. Furthermore, many caregivers worry about providing for the future of their children with disabilities.

There was a perceived inequity among bipartisan Congress members regarding children with and without disabilities that made the enactment of this new tax benefit possible. Many

children without disabilities benefit from tax-favored savings accounts that facilitate saving for higher education and promoting brighter futures.

But parents with children with significant disabilities do not similarly benefit, although future expenses of adults with significant disabilities are high. As stated by one of the legislation's co-sponsors: "No longer would individuals with disabilities have to stand aside and watch others use IRS-sanctioned tools to lay the groundwork for a brighter future."

In 2015, the Arizona Developmental Disabilities Planning Council [asked](#) people with disabilities if they could set up a tax-free savings account with their own money they could continue to add and take money out at any time (tax-free), would they do it? – 76% replied yes. Throughout the state, the Act could potentially benefit more than 80,000 individuals with developmental disabilities and their families.

Arizona Actions? Arizona legislators, led by Representative John Allen, passed a state version of the ABLE Act, allotting \$240,000 to set up the program's infrastructure. On May 12, 2016, Governor Doug Ducey signed HB2388 into law, which directs the Arizona Department of Economic Security (DES) to administer the program alongside a designated financial institution. The Governor's Office appointed members to an ABLE Act Oversight Committee in mid-2017.

DES hired an executive director in mid- 2017, Brittaney Chipley, to lead the still-unnamed program in Arizona. The timeline for the ABLE program launch has been revised to early 2018. As the oversight committee works on finalizing rules and finding a program administrator for the program, DES has begun to hold educational seminars about AZ ABLE accounts to prepare for a rollout.

However, Arizonans can open ABLE accounts in other states that have opened nationwide ABLE programs. As of September 2017, the ABLE National Resource Center [reports](#) 27 states have active programs, although Florida, Missouri, Louisiana, Kentucky, Georgia, New York, and Vermont are closed to out-of-state residents.

For more information on the AZ ABLE program, contact Brittaney Chipley, Executive Director of the Arizona ABLE program, at (602) 771-0246 or via email at bchipley@azdes.gov