

LEGISLATION INTRODUCED TO IMPROVE ABLE ACCOUNTS

INTRODUCED IN THE HOUSE AND SENATE ON MARCH 17, 2016*

<p>SAVER'S CREDIT FOR ABLES</p> <p>(ABLE TO WORK ACT S. 2702, H.R. 4795)</p>	<p>The ABLE to Work Act would permit ABLE beneficiaries to qualify for the existing Saver's Credit for ABLE account contributions.</p>
<p>INCREASE PERMITTED ABLE CONTRIBUTIONS FOR WORKING BENEFICIARIES</p> <p>(ABLE TO WORK ACT S. 2702, H.R. 4795)</p>	<p>Under current law, annual contributions (not including rollovers from other ABLE accounts) may not exceed the annual federal gift tax exclusion limit in effect at the beginning of the calendar year. In 2016, this limit is set at \$14,000. Unlike retirement plan contributions, ABLE account savings are not taken into account when determining eligibility for Medicaid or certain other assistance programs.</p> <p>The ABLE to Work Act would increase the annual contribution limit for a working designated beneficiary if no contribution is made with respect to such individual to a defined contribution plan within the meaning of Code section 414(i), an annuity contract described in Code section 403(b), or an eligible deferred compensation plan described in Code section 457(b).</p> <p>For designated beneficiaries described in the preceding sentence, the annual contribution limit would be increased by an amount equal to the lesser of: (1) the designated beneficiary's compensation; or (2) an amount equal to the Federal Poverty Level for a one-person household (currently \$11,700).</p>
<p>ROLLOVERS BETWEEN ABLES AND 529S</p> <p>(ABLE FINANCIAL PLANNING ACT S. 2703, H.R. 4794)</p>	<p>The ABLE Financial Planning Act would permit 529 accounts to be rolled over to an ABLE account for the designated beneficiary or a family member of the designated beneficiary. However, any rollovers made pursuant to this change would count toward the annual contribution limit for ABLE accounts (\$14,000 in 2016).</p> <p>The ABLE Financial Planning Act would also permit ABLE accounts to be rolled over into a 529 account for the benefit of the designated beneficiary or a family member of the designated beneficiary.</p>
<p>INCREASE AGE FOR ABLE ELIGIBILITY</p> <p>(ABLE AGE ADJUSTMENT ACT S. 2704, H.R. 4813)</p>	<p>Under current law, only individuals with a severe disability prior to age 26 are eligible to open an ABLE account. The ABLE Age Adjustment Act would raise the age limit for ABLE account eligibility to individuals with a severe disability before age 46.</p>
<p>EFFECTIVE DATES</p>	<p>If enacted, all three proposed ABLE bills would be apply to tax years beginning after the date of enactment and distributions made after the enactment.</p>

*Senators Richard Burr (R-NC) and Robert Casey (D-PA) sponsored the Senate bills. Representatives Ander Crenshaw (R-FL), Chris Van Hollen (D-MD), and Cathy McMorris Rodgers (R-WA) sponsored the House bills.