

## **Texas Achieving a Better Life Experience Act: Texas ABLE ACT**

The ABLE Act is a federal law (passed in December of 2014 and amended via H.R. 2029, the Consolidated Appropriations Act of 2016) that amended the Internal Revenue Service Code to create a tax-advantaged savings option for people with disabilities.

On May 30, 2015, Texas enabled its version of the Act ([SB 1664 by Charles Perry](#)). For the first time in history, Texans with disabilities can save money (in their own name) to pay for certain disability expenses without the fear of exceeding the Medicaid individual resource limit of \$2,000.

After the program is implemented, a **Texas ABLE** account can help individuals lead more independent, self-directed lives and allow family members to help save for their loved-ones' futures.

### **Who Qualifies:**

Any individual who has a significant disability that was diagnosed before the age of 26, regardless of their current age, qualifies for an account. Texans who meet the age criteria and are already receiving benefits under SSI and/or SSDI will automatically be eligible to establish an ABLE account.

### **What does a Texas ABLE account do?**

A **Texas ABLE** account is a hybrid savings account with limitations on how much you can save and what you can spend your savings on. Currently a person with a disability can only have a maximum cash savings of \$2,000 (individual resource limit) before they lose their Medicaid coverage. That's where **Texas ABLE** can provide the most benefit; by allowing an individual to exceed the \$2,000 asset limit. In fact a person can save as much as \$100,000 in a **Texas ABLE** account (and have \$2,000 in other cash assets) before their SSI payments are suspended while continuing to retain their Medicaid coverage.

It is important to note that a beneficiary can only have one ABLE account. And that each account can have more than \$100,000 in it, as Texas law allows for a maximum amount of \$370,000 in an individual ABLE account. Subsequent amendments allow a person to have an account **in another state** that has an enabled program. However, it is unclear what the maximum amount is at this time.

### **How the Program Works**

Each year, an account beneficiary can save a total combined amount of \$14,000 into an individual **Texas ABLE** account. The funds can come from earned wages, a family member, a friend, or any other source.

For example, a person with a **Texas ABLE** account might earn \$6,000 throughout the year beyond their personal expenses. They could save that money in their **Texas ABLE** account. In addition, a grandparent might wish to put another \$6,000 into the account, and the beneficiary's parents might add another \$2,000 to reach the \$14,000 maximum deposit limit. No more money could be deposited into that account that year.

These funds could then be used for a variety of disability related expenses (see below) to ensure financial stability and that the account owner can live a self-directed and independent life.

### **What expenses qualify?**

While the IRS has not established the exact details at this time, the funds in a **Texas ABLE** account may be used on qualified disability expenses in the following categories:

- Education
- Housing
- Transportation
- Employment training
- Assistive technology
- Personal support services
- Health prevention and wellness
- Financial management
- Administrative services
- Legal fees
- Funeral and burial services
- Other expenses

### **Is a **Texas ABLE** account for me?**

Not everyone needs a **Texas ABLE** account. Other useful estate planning tools exist that may better suit your personal needs. As regulations become clearer and implementation gets underway, families and estate planners will be better able to weigh which savings method would be best for each individual.

### **Where and When can I apply?**

The program is still in the early implementation stage. This is a new concept with a series of challenges. Implementation must be cautiously and purposefully planned to best serve Texans. The Texas Comptroller and the Prepaid Higher Education Tuition Board will have their hands full, but we hope that a plan will be available by mid 2016.

The [Texas Comptroller](http://www.texasable.org/) has created a Texas ABLE website (<http://www.texasable.org/>) to educate Texans and to apply for the program. Be sure to review that website or [CTD's website](#) for forthcoming information.

### **What's happening now?**

Since the passage of the Federal ABLE Act, over 34 states, including Texas, have enthusiastically enabled ABLE legislation and are in the early stages of implementation. But, we have a long way to go before the program is full operational.

### **Texas ABLE** Timeline:

- Dec. 19, 2014 - Federal ABLE Act passes and signed into law
- May 30, 2015 - Texas unanimously passes Texas ABLE Act
- June 19, 2015 - The U.S. Treasury and the IRS published proposed guidelines
- Sept. 19, 2015 - 90 days comment or suggestion period for the proposed guidance rules
- Oct. 14, 2015 - Public hearing in Washington DC for verbal comments on the proposed rules
- Dec. 01, 2015 - Texas Comptroller appoints the "ABLE program advisory committee" members
- Ongoing - The Prepaid Higher Education Tuition Board creates rules to implement, manage and govern the program as soon as possible.
- Mid 2016 - TEXAS ABLE account applications are available and ready for business (\*estimated – based on current implementation discussions)

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