

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.317.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

Proposed Regulations Offer Guidelines for New State-Sponsored ABLE Accounts for People with Disabilities

IR-2015-91, June 19, 2015

WASHINGTON — The Internal Revenue Service today released [proposed regulations](#) implementing a new federal law authorizing states to offer specially-designed tax-favored ABLE accounts to people with disabilities who became disabled before age 26.

The Achieving a Better Life Experience (ABLE) account provision was signed into law in December 2014. 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.

The new law authorizes any state to offer its residents the option of setting up an ABLE account. Alternatively, a state may contract with another state that offers such accounts. The account owner and designated beneficiary of the account is the disabled individual. In general, a designated beneficiary can have only one ABLE account at a time, and must have been disabled before his or her 26th birthday. The law provides what it means to be disabled for this purpose.

Contributions in a total amount up to the annual gift tax exclusion amount, currently \$14,000, can be made to an ABLE account on an annual basis, and distributions are tax-free if used to pay qualified disability expenses.

These are expenses that relate to the designated beneficiary's blindness or disability and help that person maintain or improve health, independence and quality of life. For example, they can include housing, education, transportation, health, prevention and wellness, employment training and support, assistive technology and personal support services and other expenses.

In general, an ABLE account is not to be counted in determining the designated beneficiary's eligibility for many federal means-tested programs, or in determining the amount of any benefit or assistance provided under those programs, although special rules and limits apply for Supplemental Security Income (SSI) purposes.

The proposed regulations, available today for public inspection at www.federalregister.gov, provide guidance to state programs, designated beneficiaries and other interested parties on a number of issues. For example, the proposed regulations explain the flexibility the programs have in ensuring an individual's eligibility for an ABLE account. They also indicate that the IRS will develop two new forms that ABLE account programs will use to report relevant account information annually to designated beneficiaries and the IRS — Form 1099-QA for distributions and Form 5498-QA for contributions.

Until the issuance of final regulations, taxpayers and qualified ABLE programs may rely on these proposed regulations.

The IRS welcomes comments. Comments must be received by Sept. 21, 2015, and may be submitted electronically, by mail, or hand delivered to the IRS. A public hearing is scheduled for Oct. 14, 2015, at the IRS Auditorium, 1111 Constitution Ave. NW, in Washington. See the proposed regulations for details on submitting comments or participating in the public hearing. More information can be found at [Tax Benefit for Disability: IRC Section 529A](#).