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education expenses. In fact, the accounts are authorized by Section 529A of the tax code. After you establish the account and contribute to it, any earnings inside ...

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While the new tax extenders law enacted last year – the Tax Increase Prevention Act of 2014 (TIPA) – grabbed most of the headlines, a late addition to the legislation has flown under the radar. But the Achieving a Better Life Experience Act (ABLE) Act may have more far-reaching implications than the annual extenders. This new law enables disabled individuals to set up tax-favored savings accounts.

ABLE accounts aren't available yet, but it is hoped they will be introduced before the end of the year, or next year at the latest.

An ABLE account will work pretty much like a Section 529 plan account for higher

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and/or Medicaid benefits, you're automatically eligible to participate. One other key rule is that the money in the ABLE account won't count towards the \$2,000 limit on personal assets for these public benefits.

When total assets in the account exceed \$100,000, the beneficiary's SSI will be suspended until the balance drops below \$100,000. However, Medicaid eligibility will not be affected by the account's amount.

The disabled individual, friends and family members may make contributions to the account. But the annual limit for contributions from all sources is \$14,000, the same as the annual gift tax exclusion. (This limit will be indexed for inflation.) The total limit on contributions that can be made to an ABLE account over time is subject to the applicable state limit for Section 529 accounts, with certain modifications. In many states, this overall limit is \$300,000 or higher.

For purposes of tax-free distributions, "qualified expenses" include those related to the beneficiary's as a disabled individual. This includes the following:

- Education;
- Housing;
- Transportation;
- Employment training and support;
- Assistive technology;
- Personal support services;
- Health care expenses; and
- Financial management and administrative services.

Only one ABLE account can be set up for a disabled individual. As with Section 529 plans, various investment options will be offered to participants.

Each participating state is responsible for establishing and operating its own ABLE

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