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**Kathleen Martin is an attorney with O'Donnell, Weiss & Mattei, P.C., and a newspaper columnist for The Mercury, which gave permission for this article to be reprinted.**

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# Tax free savings accounts soon to be available for some with disabilities

A recent law that passed Congress and was signed into law by President Obama will permit some persons with disabilities to set up tax-free savings accounts that will not affect their public benefits in specific situations. Known as the Achieving a Better Life Experience (ABLE) Act, persons who became disabled prior to age 26 years are allowed to set aside $14,000 each year (the current annual gift tax exemption) in a specific type of account without affecting their government benefits. Although the Act will go into effect January, 2015, each state must set up the program. (As reported in various sources including www.elderlawanswers.com).

Generally, when a person is disabled prior to age 26 years, they are receiving SSI (Supplemental Security Income) benefits. In Pennsylvania, medical insurance for those on SSI is Medical Assistance (Medicaid). SSI benefits are not the same as SSDI (Social Security Disability Insurance) benefits, which are benefits based upon a prior work history and paid from insurance to which the worker contributed during his or her time working. Those on SSDI can have savings and can earn some limited income. On the other hand, those on SSI cannot have savings that exceeds $2,000. The SSI benefit in 2015 for an individual is $733 monthly and for a couple it is $1,100. There is not any room for "extras" on such a limited budget.

The new accounts allow for $14,000 to be contributed each year, and the funds can grow tax free. The individual will still qualify for public benefits such as SSI and Medicaid despite money saved in this new type of account, as long as the account does not exceed $100,000. The designated beneficiary of the account may use the money for education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, funeral and burial expenses, and some other limited expenses as consistent with the IRS rules. For most beneficiaries of SSI, the ability to retain SSI benefits and Medicaid is very important. This can provide families of disabled persons the ability to preserve important and valuable benefits for their loved ones while still perhaps being able to provide a better quality of life.

The new "529A accounts" must still be set up in Pennsylvania; investment options will be required. No word on when this will happen in Pennsylvania so that families can begin to take advantage of this. There are other downsides though. Howard Gleckman, a fellow at the Urban Institute posts in the Tax Policy Center blog (http://taxvox.taxpolicycenter.org) that the new law prevents saving for disabilities that occur later in life such as severe arthritis or dementia. Furthermore, the disabled person must be lucky enough to have friends and family that can afford to contribute; truly low income families will not have any money to give.

The age cutoff (26 years) was a compromise to soften the bill's price tag from $20 billion to $2 billion over 10 years. Reportedly, this benefit will be paid for by tightening a variety of Social Security and Medicare rules and reimbursements.

This legislation offers families another tool to aid disabled loved ones which is good news for the disabled community. It will take time to see how this plays out in Pennsylvania.