Together, states are finding way to make ABLE work for disabled

Tax-advantaged accounts help individuals, families build financial security

by Illinois State Treasurer Michael Frerichs

When I took office, our team was honored to get the opportunity to launch the "Achieving a Better Life Experience," or ABLE, program after it became law in Illinois (the result of SB 1383, passed in 2015).

As the state's chief investment officer, my primary role is to serve as a fiscal watchdog and to invest money on behalf of taxpayers, college savers and units of local government. However, I believe strongly that the treasurer's office must also invest in people.

ABLE accounts help to solve a longtime predicament that many people with disabilities face — how to build financial wellness without risking much-needed federal government benefits.

Before congressional passage of the ABLE Act in late 2014, those with disabilities who had more than $2,000 in their name would lose government benefits such as Supplemental Security Income (SSI). Caps on such benefits committed people with disabilities to a lifetime of poverty and disincentivized employment.

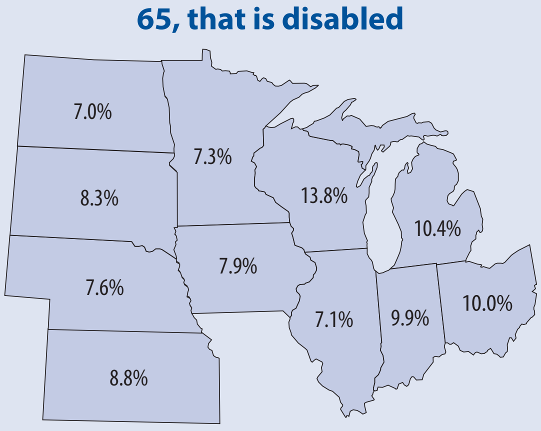
ABLE accounts make it possible for SSI beneficiaries to save up to $100,000 without impacting their benefits. Other benefits, such as Social Security Disability Insurance and Medicaid, are not suspended based upon account balances. ABLE account owners not only achieve greater financial independence, their ABLE account can help reduce reliance on public assistance.

Contributions to an individual's account may be made by the individual, as well as his or her family and friends or any other third-party contributor. These contributions are tax-deductible, and earnings and withdrawals are tax-free when used for qualified, disability-related expenses — for example, medical care, education, employment training, assistive technology, housing and transportation.

If an individual qualifies for Social Security or Social Security Disability, he or she likely will qualify for ABLE. An additional requirement is that the individual must have been disabled before the age of 26.

While the account beneficiary is always the account owner, others (through legal guardianship or power of attorney, for example) can help manage ABLE funds for those beneficiaries who want or need the assistance.

% of state's population, under age 65, that is disabled



Source: U.S. Census Bureau

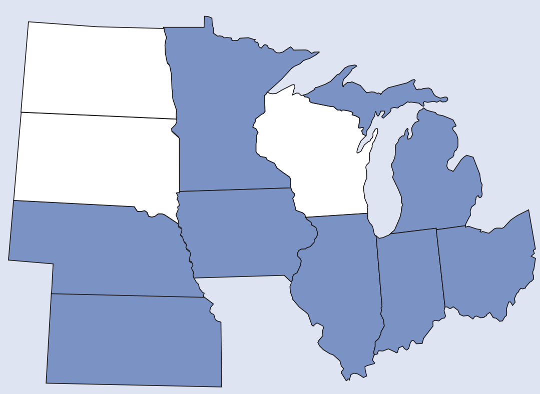
Overview of ABLE and programs in the 11-state Midwest

The December 2014 signing of the Achieving a Better Life Experience (ABLE) Act marked a major policy victory for individuals with disabilities as well as their families and advocates. This federal law authorizes state-based, tax-free savings accounts to help individuals and their families build up financial resources that can then pay for disability-related needs.

The ABLE Act also opened up new policy options, and decisions, for the 50 states. More than four years later, most states have established their own programs, including eight of the 11 Midwestern states (see map). Ohio was the first state in the nation to open enrollment; its tax-free savings account for the disabled is called "STABLE." Eleven other states have since partnered with Ohio to offer STABLE accounts. Illinois, Indiana, Iowa, Kansas and Minnesota, meanwhile, are part of the National ABLE Alliance (see main article for details).

In the Midwest, ABLE programs are most commonly administered or overseen by state treasurers. Under federal law, annual contributions by an individual to an ABLE account cannot exceed $15,000. These contributions are not deductible for federal tax purposes. In six Midwestern states, however, these contributions can be used as a deduction when filing state income taxes (see map).

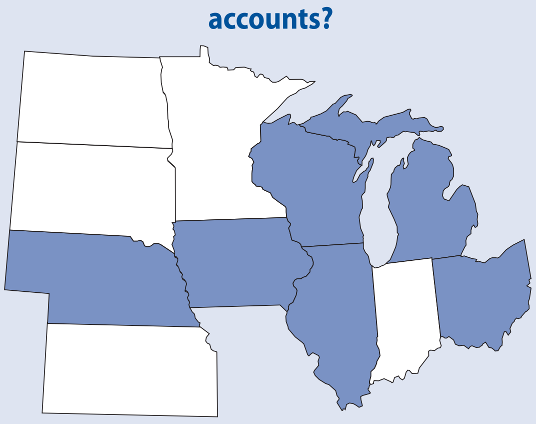
Status of ABLE program implementation in Midwest



Program up and running

No state program in place; residents can open ABLE accounts through programs running in other states

Is there a state income tax deduction or credit for contributions made to ABLE accounts?



Yes

No

Source: ABLE National Resource Center

Illinois part of 16-state ABLE Alliance

When our state wanted to launch its ABLE program, we quickly discovered some unique challenges in trying to ensure its success.

The number of individuals that this program could serve was too small, and the administrative needs were too big for Illinois to go it alone. It would be cost-prohibitive to the very families and individuals for whom an ABLE account would make a difference. So we reached out to states across the country and built a bipartisan consortium. The result: Achieving an economy of scale that makes ABLE plans possible for many states.

Today, I am proud to say that Illinois leads the National ABLE Alliance, a 16-state consortium that represents more than one-quarter of the nation's ABLE-eligible population. (Indiana, Iowa, Kansas and Minnesota also are in the alliance.)

This consortium, which includes "red" and "blue" states, offers a best-in-class, low-cost ABLE program with an exclusive checking account feature. By pooling investments and administrative costs with other states, we created an ABLE program for thousands of families and their loved ones.

As chairperson of the ABLE Committee of the National Association of State Treasurers, I will continue to work diligently to foster the growth of ABLE plans across the country by advocating for legislation that will strengthen and increase access to these accounts for people with disabilities.

Michael Frerichs was elected Illinois state treasurer in November 2014 and re-elected this past fall. He previously served in the Illinois Senate and is a 2008 graduate of CSG Midwest's Bowhay Institute for Legislative Leadership Development (BILLD).

Submissions welcome

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