

TaxInsight



Tax Benefit for the Disabled

The *Achieving a Better Life Experience (ABLE) Act of 2014* allows states to create tax-advantaged savings programs for eligible people with disabilities (designated beneficiaries). To establish an ABLE account, the beneficiary must be blind or disabled by age 26. The owner of the ABLE account is the beneficiary, and he or she can only have one account; however, more than one person can contribute to the account.

Just like education savings accounts, contributions are not tax deductible, although some states allow a deduction for a contribution to an ABLE account. The maximum allowed contributions to a plan are tied to the gift tax limit, currently \$15,000. Unlike the gift tax limit, the limit for ABLE accounts are per account, not per donor. States limit the size of the account, although it cannot be more than \$400,000.

In addition to the \$15,000, a beneficiary may contribute their own earnings to the account, up to the current poverty level. For 2019, this is \$12,490. If maxed out, contributions could be as much as \$27,490 per year.

If the disabled person is not a dependent of someone else, his or her contribution to an ABLE does count toward the retirement savers tax credit, a potential maximum credit of \$2,000. In addition, a taxpayer can roll over a 529 plan (qualified tuition plan) to an ABLE account. An example of this might be if a child is in a car accident

and becomes disabled. The parents and grandparents already contributed to a qualified tuition program, but the child will be unable to use that money for college. The person handling the financial decisions for the child can roll the assets in the 529 plan to an ABLE account. These rollovers are counted toward the \$15,000 limit, so it may take a while to move all the money over.

Be aware, though that any non-qualified distributions are subject to a 10% penalty. Also, any excess contributions, if not withdrawn by the due date of the return, are subject to an additional 6% excise tax. The list of qualified expenses is broad regarding necessary support items for health, independence or quality of life.

Important Due Dates

- Form 1065 Extension – September 16, 2019
- Form 1120S Extension – September 16, 2019
- Form 1041 Extension – September 30, 2019

Tax Notes

Contribution limits for Health Savings Accounts have risen modestly, as shown in the following table:

| | 2019 | 2020 |
|-----------------------------------|--|--|
| Maximum HSA Contribution | Self-only: \$3,500 Family: \$7,000 | Self-only: \$3,550 Family: \$7,100 |
| Minimum HDHP Deductible | Self-only: \$1,350 Family: \$2,700 | Self-only: \$1,400 Family: \$2,800 |
| HDHP Out-of-Pocket Maximum | Self-only: \$6,750 Family: \$13,500 | Self-only: \$6,900 Family: \$13,800 |

Did You Know?

July 26 is National Aunt and Uncle Day. Thank the people in your life who gave you the loud toys, the sage advice, and random \$20 bills.

Quote Corner

“A perfect summer day is when the sun is shining, the breeze is blowing, the birds are singing, and the lawn mower is broken.”

~ James Dent