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Purpose

This tip sheet tells you about the new ABLE savings accounts for people with disabilities. It compares ABLE accounts to special needs trusts. It tells you about qualified disability expenses. It shows how to use an ABLE account to pay for assistive technology.

Definitions

Assistive Technology (AT): *AT or adapted equipment means any item a person needs to keep up or do better in school or at work, or to help with daily activities. There are many kinds of AT items. These are items that maintain or increase the functional capabilities of people with disabilities. They can help people walk, talk or hear, and more.*

Special Needs Trust: *These trusts are funds set up for people with disabilities to supplement programs such as SSI or Medicaid.*

SSI or SSDI: *SSI is Supplemental Security Income. SSDI is Social Security Disability Insurance.*

What is ABLE?

In 2014, Congress passed the Stephen Beck Jr. Achieving a Better Life Experience Act. This act is better known as the ABLE Act. The act created ABLE accounts. These are tax-free savings accounts for people with disabilities. The accounts help them save for qualified disability expenses without losing their Medicaid or SSI, or other means-based programs. If the amount in a person's ABLE account is more than \$100,000, the person's SSI cash benefit will be suspended until it falls back below \$100,000.

Am I eligible for ABLE?

You are eligible if:

- You were diagnosed with a disability before the age of 26; and
- One of these is true:
 - You are eligible for SSI or SSDI because of a disability;
 - You are blind as determined by the Social Security Act; or
 - You have a severe disability with a written diagnosis from a licensed physician.

How much can I put in my ABLE savings

account?

Anyone can add funds to a person's ABLE account up to \$15,000 per year. This can be the person who the account is for, known as the beneficiary. Family members and others can also add funds to the account.

ABLE account owners with earned income may contribute additional funds beyond the annual \$15,000 contribution limit. The additional contribution amount is equal to the federal poverty level for a one-person household (in your state of residence) or the account owner's gross wages, whichever is less. Working account owners are not eligible to contribute additional funds if they are already contributing to:

- A defined contribution plan
- An annuity contract
- An eligible deferred compensation plan

Do I have to live in Iowa to open an ABLE account?

No. Anyone in the United States can open an ABLE account in Iowa or in any state that has an ABLE program. But only Iowa taxpayers can receive the Iowa state tax deduction under Iowa's ABLE savings plan.

States that offer ABLE accounts have different options to choose from. You

should research each state's ABLE programs to see which is right for you.

What is the difference between an ABLE account and a Special Needs Trust?

- ABLE accounts are easier to set up than special needs trusts. They can be set up online. They can be handled by the beneficiary rather than a trustee. Special needs trusts may require legal terminology.
- ABLE accounts have a contribution limit. A special needs trust can handle larger sums of money such as an inheritance.
- ABLE accounts require a participant to have a qualified disability before age 26. A special needs trust does not.
- ABLE accounts require a Medicaid Pay-Back if the beneficiary dies. A special needs trust does not require this for family-funded accounts.

What is a Medicaid Pay-Back? If the beneficiary dies, the state where the beneficiary lived may file a claim to all or part of the funds in the account. This claim could equal the amount the state spent on the beneficiary through their state Medicaid program.

You should learn as much as you can about the advantages and disadvantages of an ABLE account versus a special needs trust before making a decision.

What are qualified disability expenses?

An expense is qualified if:

- You incurred the expense as an eligible individual;
- The expense relates to your blindness or disability; and
- The expense helps you maintain or improve your health, independence or quality of life.

A qualified disability expense means any expense related to the designated beneficiary as a result of living a life with disabilities. These expenses may include education, housing, transportation, employment training and support, assistive technology, personal support services, health care expenses, financial management and administrative services, and other expenses that help improve health, independence, and/or quality of life.

A designated beneficiary is a person who is eligible based on living with a diagnosed disability.

How can I use an ABLE account to pay for assistive technology?

To use an ABLE account to buy assistive technology (AT), the person must be eligible for the ABLE savings program, and the AT must be a qualified disability expense. The example below shows how to use an ABLE account to

pay for assistive technology.

The person:

- Has cerebral palsy
- Is 22 years old
- Gets Social Security Income (SSI) of \$735 per month
- Uses a power wheelchair (sitting only)
- Allowed up to \$2000 in her savings account without losing her SSI and Medicaid
- Her parents can only set aside up to \$3000 per year.

The AT:

- Would like a standing power chair
- Will improve her quality of life
- The chair costs \$9000.

The person meets the requirements for an ABLE savings account. The standing power chair meets the requirements for a qualified expense for AT. She and her parents can set aside up to \$15,000 (or possibly more with earned income) each year to purchase this chair without losing her SSI and Medicaid eligibility.

These agencies may also help you learn more about buying assistive technology:

- [Iowa Medicaid](#) (if it is medically necessary)
- [Iowa Vocational Rehabilitation](#) (if it is needed for work)

- [Iowa Department for the Blind](#) (if you are legally blind)
- [Easter Seals](#) (assistive technology information and referral)
- [Iowa Compass](#) (disability-related information and referral)

Where can I learn more about ABLE savings accounts?

You can get in touch with your state's [WIPA \(Work Incentive Planning and Assistance\)](#) program to learn more about ABLE. WIPA can tell you about other work incentives that allow someone receiving SSI or SSDI to buy assistive technology. You can find out more from the [ABLE National Resource Center](#). You can open an Iowa ABLE account online at [IAble](#).

Disclaimer: This tip sheet is for information only. Iowa Compass makes regular updates to give current and accurate information. We cannot be held liable for any outdated or incorrect information.

*Developed by Disability Rights Iowa, in collaboration with Iowa Compass.
Last update: May 28, 2020.*

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